CalHFA[SM] BOARD OF DIRECTORS

California Housing Finance Agency
Board of Directors

February 25, 2010

Hyatt Regency Sacramento
1209 L Street
Sacramento, California
(916) 443-1234

1:00 p.m.

1. Roll Call.

2. Approval of the minutes of the January 21, 2010 Board of Directors meeting.

3. Chairman/Executive Director comments.

4. Closed session under Government Code §§ 11126 (e) (1) and 11126 (e) (2) (B) (i) to confer with and receive advice from counsel regarding litigation.

5. Discussion and possible action regarding interfund agreements between the California Housing Finance Fund and the California Housing Loan Insurance Fund. (Steve Spears)

6. Discussion, recommendation and possible action regarding the adoption of an amended resolution authorizing the Agency's single family bond indentures. (Bruce Gilbertson) 129

7. Discussion of CalHFA loan products and the "value added" to the marketplace by CalHFA lending. (Steve Spears) 145

Agenda.Table:#191582v1
BdMtg:02/25/10

NOTES**

HOTEL PARKING: Parking is available as follows: (1) overnight self-parking for hotel guests is $18.00 per night; and (2) valet parking is $24.00.

FUTURE MEETING DATES: Next CalHFA Board of Directors Meeting will be March 25, 2010, at the Holiday Inn Capitol Plaza, Sacramento, California.

STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

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BOARD OF DIRECTORS

PUBLIC MEETING

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Burbank Airport Marriott Hotel & Convention Center
2500 Hollywood Way
Burbank, California

Thursday, January 21, 2010
9:33 a.m. to 1:16 p.m.

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Reported By: YVONNE K. FENNER, CSR #10909, RPR

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A P P E A R A N C E S

Directors Present

PETER N. CAREY
President/CEO
Self-Help Enterprises

KATIE CARROLL
for Bill Lockyer
State Treasurer
State of California

MICHAEL A. GUNNING
Vice President
Personal Insurance Federation of California

PAUL C. HUDSON
Chairman/CEO
Broadway Federal Bank

JONATHAN HUNTER
Managing Partner, Region II
Corporation for Supportive Housing

LYNN L. JACOBS
Director
Department of Housing and Community Development
State of California

BARBARA MACRI-ORTIZ
Attorney at Law
Law Office of Barbara Macri-Ortiz

HEATHER PETERS
For DALE E. BONNER, Secretary
Business, Transportation and Housing Agency
State of California

JACK SHINE
Chairman
American Beauty Development Co.

RUBEN A. SMITH
Partner
Adorno Yoss Alvarado & Smith
A Professional Corporation

L. STEVEN SPEARS
Acting Executive Director
California Housing Finance Agency

A P P E A R A N C E S

Directors Present (continued)

BROOKS TAYLOR
for CYNTHIA BRYANT
Director
Office of Planning & Research
State of California

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CalHFA Staff Present

GARY BRAUNSTEIN
Special Advisor to the Executive Director
and
Acting Director of Homeownership

ROBERT L. DEANER II
Director of Multifamily Programs

KENNETH H GIEBEL
Director of Marketing

BRUCE D. GILBERTSON
Director of Financing

LORALYN HAMAHASHI
Deputy Comptroller

TIMOTHY HSU
Financing Risk Manager
Financing Division

THOMAS C. HUGHES
General Counsel

HOWARD IWATA
Acting Director of Administration
and
Acting Director of Fiscal Services

CHARLES K. McMANUS
Director of Mortgage Insurance Services

JOJO OJIMA
Office of the General Counsel

A P P E A R A N C E S

Also Present

STANLEY J. DIRKS
Partner
Orrick

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Table of Contents

Table of Contents, continued

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BE IT REMEMBERED that on Thursday, January 21, 2010, commencing at the hour of 9:33 a.m., at the Burbank Airport Marriott Hotel and Convention Center, Pasadena Room, 2500 Hollywood Way, Burbank, California, before me, YVONNE K. FENNER, CSR #10909, RPR, the following proceedings were held:

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ACTING CHAIRPERSON CAREY: I want to welcome everybody to the January 21st, 2010 meeting of Board of Directors of the California Housing Finance Agency.

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Item 1. Roll Call

ACTING CHAIRPERSON CAREY: First order of business is roll call.

MS. OJIMA: Thank you.

Ms. Peters for Mr. Bonner.

MS. PETERS: Here.

MS. OJIMA: Mr. Gunning.

MR. GUNNING: Here.

MS. OJIMA: Thank you.

Mr. Hudson.

MR. HUDSON: Here.

MS. OJIMA: Mr. Hunter.

MR. HUNTER: Here.

MS. OJIMA: Ms. Jacobs.

MS. JACOBS: Here.

MS. OJIMA: Ms. Carroll for Mr. Lockyer.

MS. CARROLL: Here.

MS. OJIMA: Ms. Macri-Ortiz.

MS. MACRI-ORTIZ: Here.

MS. OJIMA: Mr. Shine.

MR. SHINE: Here.

MS. OJIMA: Mr. Smith.

MR. SMITH: Here.

MS. OJIMA: Mr. Taylor for Ms. Bryant.

MR. TAYLOR: Here.

MS. OJIMA: Ms. Matosantos.

(No audible response.)

MS. OJIMA: Mr. Spears.

MR. SPEARS: Here.

MS. OJIMA: Mr. Carey.

ACTING CHAIRPERSON CAREY: Here.

MS. OJIMA: We have a quorum.

ACTING CHAIRPERSON CAREY: Great.

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Item 2. Approval of the minutes of the November 19, 2009 Board of Directors meeting

ACTING CHAIRPERSON CAREY: Next order of business is the approval of the minutes of the November 19th Board meeting.

MS. JACOBS: Move approval.
MR. HUDSON: Second.
ACTING CHAIRPERSON CAREY: Moved and seconded. Any further discussion?
THE REPORTER: I'm sorry, I didn't hear where the second came from.
ACTING CHAIRPERSON CAREY: Mr. Hudson.
MR. HUDSON: It was a weak second.
MR. SPEARS: He just came in from the storm.
ACTING CHAIRPERSON CAREY: We'll have a roll call.
MS. OJIMA: Thank you. Ms. Peters.
MS. PETERS: Yes.
MS. OJIMA: Mr. Gunning.
MR. GUNNING: Yes.
MS. OJIMA: Mr. Hudson.
MR. HUDSON: Yes.
MS. OJIMA: Mr. Hunter.
MR. HUNTER: Yes.
MS. OJIMA: Ms. Jacobs.
MS. JACOBS: Yes.
MS. OJIMA: Ms. Carroll.
MS. CARROLL: Yes.
MS. OJIMA: Ms. Macri-Ortiz.

MS. MACRI-ORTIZ: Not having been at the meeting, I'll abstain.

MS. OJIMA: Thank you.

Mr. Shine.

MR. SHINE: Abstain.

MS. OJIMA: Thank you.

Mr. Smith.

MR. SMITH: Yes.

MS. OJIMA: Mr. Carey.

ACTING CHAIRPERSON CAREY: Yes.

MS. OJIMA: The minutes been approved.

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Item 3. Chairman/Executive Director Comments

ACTING CHAIRPERSON CAREY: Okay. A couple of comments to make before we lead on to Steve.

This is great. We've got a strong Board. It's nice to have virtually all but one seat filled on the Board. It's -- it's terrific. And the new perspectives and the energy the folks bring will be important to the Agency, I think, in the coming months.

I do, just on a very personal level, want to express one piece of frustration and that is that I'm concerned that the -- the perception is allowed to be seen out there that in the absence of permanent appointments for both the executive director and chair that there's a lack of focus on the Agency. And while the Agency is being run exceedingly well, I think that I'd like to hope that the Governor's Office would see fit to move forward with, at least in one case, making permanent the appointment that is now interim.

It's now been since December of '08 that the previous executive director left office, and it's been since July of '08 that the previous chair left. And it does feel like it's time for the Governor's Office to act.

With that, I'm going to turn it over to Steve.

MR. SPEARS: Thank you, Mr. Chairman.

Happy New Year to everyone. I think we can still say that. What was the rule that I believe Mr. Smith said? We have all of January to say "Happy New Year" to everybody.

It is really exciting to see so many Board members here. We are one shy. And I want to welcome Barbara Macri-Ortiz, our newest member.

There are some other Board changes I just want to mention briefly. I'm very happy to see Brooks here because I like to see that -- that continuity. There is some up-in-the-air, I'm not sure how to describe it exactly, about OPR and whether that person will continue to serve as a Board member at CalHFA. The OPR director, former director, Cynthia Bryant, has moved to be the new chief director and will be the person sitting here for Ana Matosantos, who is the Governor's budget director.

I spoke with Cynthia last night. We're going to put together a briefing for her, similar to what we have done with Barbara and Paul and some of the other new Board members. And she will attend in the future, as Tom Sheehy did. That position at the Department of Finance covers literally I think more than a hundred boards and commissions. It's an amazing responsibility, so -- but Cynthia understands the importance of being here at this time, participating in the Board meetings, even though it is a nonvoting position, and she would like to do that in the future, so that's -- that's good news.

Very briefly, the January meeting in the past for CalHFA has been the time when we call time-out midyear, how are we doing for business volume, that sort of thing. Obviously this year it's a little different. We haven't been lending. So we thought we would do two things. One is update you on the -- on the implementation of the federal assistance package. It's in place. We're going to do that throughout and then tell you the impact of that on business for the rest of the year.

And we'll probably focus on the rest of 2010 --

it's little early to tell business volume predictions and that sort of thing -- and then give you an update on our financial challenges that we've been facing.

With that, there's a bit of unfortunate news. You've all just been handed the latest decision from Standard and Poors on the mortgage insurance fund. And we've talked about that some more. We will probably talk about this a little bit more under item 4 in the closed session, but this is a public item.

They've just released the press release that downgrades the mortgage insurance fund to triple C minus and -- and that -- that means, according to Standard and Poors' definition, that the obligor is less likely to meet all their obligations unless there are improved business and economic conditions.

It continues on credit watch with negative implications. They're going to continue to watch the trend in delinquencies and claims reserves for the mortgage insurance fund and continue to review it on a -- on a steady basis through the rest of -- of the year. So we'll talk about that a little bit more.

The good news is that with the new federal assistance, we can begin lending again.

The other news that's a silver lining on a not a great situation, that is, with home price declines that home prices are below FHA loan limits at this point and so FHA lending is available to us again in the future. That will be part of our discussion later on under item 9 or 10, I can't remember which one.

So with that, Mr. Chairman, I think we're ready to go into a brief closed session, and we'll -- we'll proceed on with that.

ACTING CHAIRPERSON CAREY: Okay. Thank you.

With that, we will adjourn into closed session under Government Code 11126(e)(1) --

MS. JACOBS: Excuse me, Mr. Chair.

ACTING CHAIRPERSON CAREY: Yes.

MS. JACOBS: I would like to say something for the whole meeting. I'd like to congratulate Katie Carroll for getting the Women in Public Finance Award. So let's all give her a hand.

(Applause.)

ACTING CHAIRPERSON CAREY: That's great.

MS. CARROLL: Thank you.

MS. JACOBS: Later you can tell us what that means.

MS. CARROLL: I'm not sure I've figured it out yet myself.

MS. JACOBS: Sorry to interrupt.

ACTING CHAIRPERSON CAREY: No problem.

MS. JACOBS: I didn't want to save that for closed session.

ACTING CHAIRPERSON CAREY: Okay. So we will -- we will be in closed session to consult with counsel regarding potential litigation.

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Item 4. Closed session

(The Board met in closed session from 9:42 a.m. to 11:00 a.m.)

ACTING CHAIRPERSON CAREY: Okay. We are back in open session.

And just procedurally, while we're -- we're -- while it's on our minds, there was a question about the schedule for the March 11th Board meeting, and the one date that has been floated out at the moment is March 25th. Folks, could -- think about that and give an indication to JoJo as to whether that's a possibility or not. At least we'd look at, rule in/rule out, one potential date.

MR. SPEARS: Still in Sacramento.

ACTING CHAIRPERSON CAREY: In Sacramento, yes. Lynn can't. Brooks, do you have any idea?

MR. TAYLOR: I think I'm clear.

MS. JACOBS: It is what it is.

ACTING CHAIRPERSON CAREY: Ruben?

MR. SMITH: I think I'm okay.

ACTING CHAIRPERSON CAREY: Barbara? Paul?

MR. GUNNING: Paul is a little upset he's not busy.

MR. HUNTER: I've got the whole day.

MR. SHINE: We've got six committees.

ACTING CHAIRPERSON CAREY: Heather?

MS. PETERS: I'm available.

ACTING CHAIRPERSON CAREY: Katie?

MS. CARROLL: Yes.

ACTING CHAIRPERSON CAREY: Okay. It looks like we've got a pretty good crowd. We'll look at that. Staff can look at that.

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Item 5. Discussion, recommendation and possible action regarding the adoption of a resolution authorizing the Agency's single family bond indentures, the issuance of single family bonds, short term credit facilities for homeownership purposes, and related financial agreements and contracts for services (Resolution 10-01)

ACTING CHAIRPERSON CAREY: Okay. Moving on, item 5, the first of three relatively standard resolutions.

Steve. Bruce.

MR. SPEARS: I'll turn the time over to Bruce. These are, again -- this is the -- sort of the normal thing that we do in the January Board meeting, is reauthorize the financing division to issue bonds, manage bonds, all the agreements and all the documents that go with them, so I'll turn it over to Bruce.

MR. GILBERTSON: Thanks, Steve, and Chairman, Members of the Board.

I'll try to go through this quickly. Those Board members that have been on this Board for more than 12 months have heard this, kind of, before, but I've designed the presentation a little differently to try to cover at a high level the authorizations that staff is asking the Board to grant today.

So Resolution 10-01 is the single-family financing resolution, if you will. The Board is being asked to authorize staff to -- for us to issue bonds during the course of the year, to utilize the previously approved bond indentures as listed in the resolution, and there's quite an extensive list, and then to allow us to work with the State Treasurer's Office as the agent for sale on the timing of the sale of the transaction and for us to work with our investment banking team to structure the bonds.

The amounts, we're asking for an issuance amount to not exceed the amount of bonds that we could otherwise re-fund through a bond redemption activity in conjunction with new issuance, the amount of CDLAC allocation that the Agency has been awarded and up to $900 million of federally taxable bonds.

When we look at the homeownership program and the previously awarded amounts from the California Debt Limit Allocation Committee, I've shown those on this slide. So we have a total of $1.2 billion worth of tax exempt issuance authority that the Agency needs to use by the end of this calendar year.

That's derived really of two parts, a regular volume cap award during the course of calendar year 2007 and then an additional award as a result of legislation in the summer of 2008 that was almost $900 million -- that had a two-year time horizon -- an additional 450 million of authority that goes away at the end calendar year 2011. And then in December of 2009, we received yet another award of $225 million that is good through the end of 2012.

The resolution further authorizes staff to enter into and use related financial transactions to invest bond proceeds; to hedge interest rates over time; for purposes of hiring consultants to advise us, be them financial advisors, cash flow advisors, that type of entity. We've asked for a reauthorization to enter into short-term credit facilities to the extent they are available to us in an aggravate amount up to a billion dollars.

We've used these facilities historically to warehouse loans, both multifamily mortgages as well as single-multifamily mortgages. And it does help us with operating capital at different periods of time.

The -- the resolution, again, you might have read through it. It's a very large resolution. It covers program documents and program agreements that we might enter into for purposes in support of the homeownership loan program. These would typically be loan purchase agreements, loan servicing agreements, pooling agreements to take loans and securitize them inside of a mortgage-backed security.

Just quickly, this will be a theme, kind of, throughout the open session today, is -- is this new issue bond program. You know, one of the things we briefed the Board on in November were the two components of the federal initiative. One of them was the new issue bond program where Treasury effectively was buying bonds from the Agency. We did close a billion-dollar transaction at the end of December. This is going to be our starting point for financing loan programs that we hope to get up and running very, very quickly here in 2010.

The restrictions or the further requirements of our agreement with the GSEs and Treasury are that we have to issue additional bonds in public markets to private investors. There's a bullet further down that describes this as the 60/40 kind of split. For every three dollars of new issue bond proceeds that we already have, we have to issue two dollars of bonds in the public markets to private investors. So we have up to three times during the course of this year to release moneys from the escrow that is holding the new issue bond proceeds, and we would do that at the same time we've been in the marketplace selling the 40 percent.

We -- we -- we issued these bonds, and I've referenced in the closed session the purple box. Here's the purple box. The residential mortgage revenue bond indenture is a new indenture. This Board approved it in November of 2006. It's designed to do purchase -- purchase the finance of mortgage-backed securities that are created from whole loans of the Agency, FHA insured, conventionally insured, or whatever other programs we can create over time. In the later agenda item we're going to talk about the business plan and some of the products that we hope to do during the course of this year.

So we will use the residential mortgage revenue bond indenture for this program. We hope with the 40-percent additional market bonds this creates a pool of lending of almost $1.7 billion. It's pretty ambitious. We need to get our programs up and going. We think there's a real demand for high quality product. Hopefully we can produce a rate that's going to be effective.

As a part of the new issue bond program, we did lock in a rate in mid-December. It's tied to the ten-year Treasury. Rates have drifted higher since then, and we believe rates will go higher beyond that at this period of time, so from that perspective, we could have a competitive rate advantage.

MR. HUDSON: Can you go back to that last bullet?

MR. GILBERTSON: Sure.

MR. HUDSON: So this is the first time I've had to look at this. Take me from the homeowner that needs a loan to that last bullet.

MR. GILBERTSON: The -- I think we should defer that. I'll ask Steve if he wants to talk about the program side and where we're going with loan products. This is the mechanism that's producing the capital base for us to purchase the loan, and in this case it's --

MR. HUDSON: So -- so --

MR. SPEARS: I think this is probably the appropriate time to talk about the business model we're going to use. I think we're just going to talk about product features later on, so.

MR. HUDSON: Somebody -- somebody goes to a mortgage broker that's offering our product, and the borrower gets a loan. The money to fund that loan comes from us?

MR. SPEARS: They close the loan.

MR. HUDSON: They close the loan with their own warehouse line.

MR. SPEARS: With their own warehouse line.

MR. HUDSON: Okay. And then we buy the mortgage.

MR. SPEARS: In the past we just bought the whole loan itself.

MR. HUDSON: Okay.

MR. SPEARS: Now, under this, we won't be buying any more whole loans. This loan will be packaged by Bank of America Countrywide, our master servicer, and we're looking at one other master servicer to help us do this. Fannie Mae will eventually own that loan and --

MR. HUDSON: So wait. So --

MR. SPEARS: -- guarantee it.

MR. HUDSON: -- I'm a mortgage broker. Wait a minute. I'm a mortgage broker holding this -- this piece of paper. BofA buys it?

MR. SPEARS: I think it's --

MR. GILBERTSON: Yes.

MR. SPEARS: -- delivered to BofA? Gary?

MR. HUDSON: Let's just use BofA. Let's just use BofA.

(Court reporter interrupts for clarification of the record.)

MR. HUDSON: BofA buys it. Then what?

MR. SPEARS: It's securitized --

MR. HUDSON: Yes.

MR. SPEARS: -- meaning Fannie Mae winds up owning the loan.

MR. HUDSON: Okay.

MR. SPEARS: They guarantee the income stream from the loan.

MR. HUDSON: Okay.

MR. SPEARS: It's packaged into a security, and rather than use the bond proceeds to buy whole loans now, we're buying mortgage-backed securities, and we hold those on our balance sheet.

MR. HUDSON: So we're like a -- we're like an investor, a Fannie Mae, Freddie Mac investor.

MR. SPEARS: Yes.

MR. GILBERTSON: Simply put, yes.

MR. HUDSON: Okay.

MR. SPEARS: FHA loans, we go to Ginnie Mae.

MR. GILBERTSON: The difference that attaches to all of this is we're working in the tax-exempt world, and federal tax law has specific requirements for us to also adhere to. It has to be a first-time homebuyer as evidenced by the homeowner not having a home for three years, income limits and sale price limits --

MR. HUDSON: And is --

MR. GILBERTSON: -- that further restrict the program.

MR. HUDSON: And is there mortgage insurance?

MS. JACOBS: That's the question of the day.

MR. GILBERTSON: There may --

MR. SPEARS: That's the later conversation we'll have. There is an answer to that -- that question, and I think you'll like the answer, but --

MR. HUDSON: Okay.

ACTING CHAIRPERSON CAREY: Ms. Jacobs.

MS. JACOBS: It seems to be pretty ironic that we are going into the securitization market, the one market that has proven to be the downfall of the financial markets, rather than doing whole loans at this point. Would you like to explain the reason for that?

MR. SPEARS: Yes. We have been in the securitization market for the entire history of CalHFA. The bonds that we sell are mortgage-backed securities.

MR. HUDSON: Plus -- plus --

MS. JACOBS: Right, but the whole -- but the switch from whole loans to packaging the loans and having them be a security --

MR. GILBERTSON: We don't directly take the real estate risk because we have the guarantee from the federal government. The federal government via Fannie Mae or Freddie Mac will front the mortgage payments even if the borrower doesn't make the mortgage payments. So it's kind a -- it's kind of a flow-through concept.

MR. HUDSON: The answer -- the answer to your question is the money -- the money is coming from the federal government, so the federal government is saying this is the way we want the program to run, which supports Freddie, Fannie. And it's -- it's like if I gave you the money, I'd want you to use it in a way that supports my --

MS. JACOBS: Right.

MR. GUNNING: Use my guy.

MR. HUDSON: It's my guy.

MR. SPEARS: But Lynn's concern is what people have heard about, you know, collateralized debt obligations and mort- -- those were -- those were non-Fannie, -Freddie, -Ginnie.

MS. JACOBS: Okay.

MR. SPEARS: Those were privately securitized, not backed by the federal government. They weren't even eligible because of the type of loan they were -- and went to other investors around the world.

We -- we're -- our bondholders have always been purchasers of mortgage-backed securities. That's what these bonds are. They're backed by those loans. What we're going to do is take the real estate risk, transfer that to -- the federal government is going to guarantee this income stream, and get out of the business of holding whole loans on our balance sheet on the single-family side.

MS. JACOBS: Okay. I can't wait to see the rating of Fannie Mae in three years.

MR. GILBERTSON: Which it's rated triple A.

MR. SPEARS: It's rated triple A.

MR. GILBERTSON: The marketplace is assuming --

MS. JACOBS: Yes.

MR. GILBERTSON: -- the whole United States government is behind them.

MS. JACOBS: I'm saying three years from now.

I'm not saying now.

MR. SPEARS: Oh, Fannie Mae?

MR. GILBERTSON: The one thing to remember --

MR. SPEARS: That was our Christmas Eve present, that the United States Treasury said we'll back Fannie and Freddie 100 percent.

MS. JACOBS: Right. That was -- that was then.

MR. GILBERTSON: The Agency has clearly tried to limit -- and we have no risk in this. We don't have real estate risk, and this will be a limited obligation indenture secured by the mortgage-backed securities and the revenues off those securities, so it's -- that's what the bondholders will receive. And at this point the rating agencies -- Moody's has given it a triple-A rating.

Any other questions? This is the time. We're going to go -- I think ask for the -- the question, but glad to answer any other questions you have.

MS. CARROLL: I have a couple of questions. And I understand that this is our typical resolution that we go through every year.

I also understand that your business plan has changed considerably and that you're not looking to buy whole loans anymore, and that gives me, frankly, a lot of comfort at this point. Who knows, that may change again in the future, but at this point, that gives me a lot of comfort.

I'm not sure this resolution, however, limits you to that. And I am wondering would it be appropriate, given that the Board is, you know, being -- or at least certainly I'm being given some comfort about the business plan, that the resolution actually limit you to those transactions that fit into your revised business plan as opposed to this blanket, huge, you know, us authorize everything at the beginning of the year.

MR. SPEARS: It's the pleasure of the Board.

MR. HUDSON: I don't see why that would be a problem because you can't use the money any other way, right? I mean, if you take that money, you've got to use it this way, in terms of mortgage backs. You can't --

MR. SPEARS: The triple-A rating is based on an MBS business model.

MR. HUDSON: Right, but not only a triple-A rating, but we got this money from the federal government, right?

MR. SPEARS: Yes.

MR. HUDSON: And they structured the program this way, right?

MR. SPEARS: Yes.

MR. HUDSON: Under this --

MR. GILBERTSON: I think part of the answer to Katie's question is that on page 158 and 159 is a listing of -- oops, I think I'm on the wrong resolution, I'm sorry. Yeah, 41, top of 45, 145, there's A through L. So there's a number of different historical bond indentures that this resolution authorizes us to issue debt under those resolutions. Each of those resolutions has a different type of financing mechanism, the type of product that we can -- we can issue.

If the Board feels we should restrict ourselves on prospective loan products, there's probably a section. There's a bit of a write-up on program documents that we could amend as a part of this and -- and further restrict --

MR. GUNNING: I guess the question I have, the same that Katie's raising, is given the dynamics of the circumstances, do we proceed as usual? I mean, do we give you the blanket authority -- I mean, I'm asking that from your point of view as staff -- or do we take more cautious steps in a limited resolution that authorizes you to do the things you have to do and maybe on an as-needed basis you come back, Bruce. I don't know, but I --

MR. GILBERTSON: The only thing I worry about -- and maybe what we're talking is about debt finance programs, debt of the Agency. I worry about we have some GO bond proceeds we're still working. We're buying whole loans that are subordinate loans. I think you want us to continue to buy those. So you want to be careful it's not too broad and it's -- it's -- it's narrow enough.

If it is the desire of the Board to restrict Agency debt financed single-family loan products to only be mortgage-backed securities guaranteed by the federal government -- Ginnie Mae or the GSEs -- I think that clearly is the direction we're going. That is the programs that we are developing today.

ACTING CHAIRPERSON CAREY: If that were part of the motion, would that -- would you feel comfortable if that statement was part of the action?

MS. CARROLL: If that were part of the limitation on what the Agency -- and I'm not clear how this works legally in terms of what we adopt, but I would like to see you guys come back to us -- if you wanted to issue bonds that were backed by whole loans again, I would really like to see you come back to us.

MR. GUNNING: I don't want to put any handcuffs on anybody. We appreciate your flexibility and your professionalism to get the job done, but, you know, maybe on an as-needed basis.

MR. GILBERTSON: Tom, do you have any ideas on how we...

MR. HUGHES: I guess the concern I have is that obviously these are complex resolutions. They -- they not only authorize the issuance of securities, they provide essentially all of the operating authority needed to both go forward with new programs and to manage the existing programs and debt that's out there.

The authority expires today because this is the first -- each year's resolution continues until the first Board meeting of the next year that you have a quorum, so we have to precisely draft whatever limitations the Board desires because we can't put this off because it will expire.

MR. HUDSON: Let me ask, I'm not sure, that last bullet says residential mortgage revenue bond indenture requires proceeds to be used to purchase mortgage-backed securities. So if we're using residential mortgage revenue bond indenture, we don't have a choice, right?

MR. GILBERTSON: Yeah. I think that may be -- I wrote it, I'll take the credit, probably overstated it. I think it's in our intent. It may not be an absolute requirement.

MS. CARROLL: Now, I think this --

MR. GILBERTSON: So this will clearly --

MS. CARROLL: The resolution authorizes a lot of other --

MR. GILBERTSON: Remember, Paul, inside this resolution you have a lot of other forms of indenture that you're authorizing this Agency to issue bonds under that potentially would be broader.

MR. HUDSON: But is it the intent that this money would be used on mortgage backed? Or you --

MR. GILBERTSON: Correct.

MR. HUDSON: -- haven't made that decision yet?

MR. GILBERTSON: It is our intent, but we -- we left the indenture broader for -- for the future.

MR. HUDSON: For other money that may come in or for other --

MR. GILBERTSON: Yeah, other programs in the future, in 2011 --

MR. HUDSON: Well, can't we just do a resolution that limits these funds to this stuff?

MR. GILBERTSON: It's a contractual document that we've -- we've actually signed and issued in the marketplace, so I think it would be troublesome to do that. You can amend the indenture. This is a -- you know, a --

MR. HUDSON: So one final question. The terms, when we got the money from the federal government, there was no limitations like this in the money.

MR. GILBERTSON: No, the purpose -- the initiative allowed HFAs to either do whole-loan programs, you know, or --

MR. HUDSON: Oh, okay.

MR. GILBERTSON: -- MBS, so it is broader than that.

MR. SPEARS: It was a national program that applied to all agencies.

MR. HUDSON: Okay.

MR. SPEARS: We're making the decision --

MR. HUDSON: I got it.

MR. SPEARS: -- to go down this line.

MR. HUNTER: I just -- I may be a little confused here, but it seems to me this resolution also contains CDLAC authority, which is totally different than this, right?

MR. GILBERTSON: No, the CDLAC reference here is specifying the amount of debt that we can issue during the calendar year. There's a -- there's a separate resolution coming up, I think it's 10-03, that the Board weighs in on how much the Agency or the staff of the Agency can apply to CDLAC for.

MR. HUNTER: Okay. But if you go back to the first slide -- there.

MR. GILBERTSON: This is trying to specify that the Board is authorizing an amount of debt that can be issued by the staff, and it has three components, you know. Bonds that would otherwise be eligible to be re-funded, is the first bullet. The amount of allocation we receive from CDLAC. And for purposes of single family, we have these amounts shown below on hand today. And then a further amount of up to $900 million of federally taxable bonds, because the CDLAC authority is tax exempt.

Clearly those are -- those are larger than we have plans to do. I think the presumption has always been -- and, again, the world has changed around us -- that we should have broader authority from the Board since Board only meets every other month, rather than have to come back to the Board every time to receive authority to issue debt. Certainly we lose flexibility if that were to occur.

ACTING CHAIRPERSON CAREY: Back to the question of what we want to do, I worry about editing a resolution on the fly. Can we state intent within our motion, which would certainly be constraining to the staff, without amending the resolution?

MS. CARROLL: Well, let me ask this: Can we state intent in our motion and also ask the staff to come back with an amended resolution or a restated resolution at the next meeting so you're not hindered from going forward with your business, and you state the intent that you're not going to enter into loans outside of what you -- or enter -- or sell bonds outside, and then come back with a restated for the rest of the year?

Because I don't want to restrict your flexibility to the point that you can't get your business done, but I do think the idea of -- of deviating from the business plan that we're being presented is a much bigger issue than it has been in the past.

MR. GILBERTSON: I think that's fine. I think -- I just want to make sure that I'm clear. I think this relates to the single-family program, first-mortgage program, and for those programs that are financed with debt capital that we raise in the marketplace.

MS. CARROLL: Yes.

MR. SPEARS: We can do that.

MR. GILBERTSON: I just want to make sure -- Bond Counsel, any concern one way or the other, Dan or Stan?

MR. DIRKS: I think if you express it as net proceeds of any new bonds must be used to finance MBSs because that -- that would give you the flexibility to manage the existing indentures but says new bonds are for

MBSs until the Board says otherwise. Is that --

MR. HUGHES: For the first-loan program and not subordinates; is that correct?

MR. DIRKS: Yes.

MR. HUGHES: Great.

MR. SPEARS: That's my understanding.

MR. DIRKS: And I -- in terms of Katie's notion about seeing it next meeting, I would put it in the resolution, and the approval of the minutes at the next meeting would confirm that the resolution expressed the intent of the Board correctly. And I guess that's how I would do it. I think it would be pretty clear, pretty easy to draft it so that it expresses that intent.

MS. CARROLL: That works for me.

MR. HUGHES: Right. And another just historic way, another way that the Board has historically dealt with similar issues is to direct staff -- if staff has authority to do something but the Board is concerned about what that something is, the Board has frequently directed staff to come back at the next meeting and report what they've done or any changes to what they're doing. And that's another way the Board has usually dealt with it.

ACTING CHAIRPERSON CAREY: Is someone prepared to make a motion?

MR. GUNNING: I'll move.

ACTING CHAIRPERSON CAREY: With the intent as stated by Mr. Dirks?

MR. GUNNING: Yes.

MS. CARROLL: And I'll second.

ACTING CHAIRPERSON CAREY: Second by Ms. Carroll. Okay.

MS. OJIMA: Was it Mr. Gunning?

ACTING CHAIRPERSON CAREY: Mr. Gunning, yes.

MR. HUGHES: Mr. Chair, we have to solicit public --

ACTING CHAIRPERSON CAREY: Oh, thank you.

MR. HUGHES: -- comment before any Board action.

ACTING CHAIRPERSON CAREY: Great. Sorry.

Okay. This is a public action. If there's anyone here who wishes to speak to this matter, please indicate.

Seeing none, call the roll.

MS. OJIMA: Thank you.

Ms. Peters.

MS. PETERS: Yes.

MS. OJIMA: Mr. Gunning.

MR. GUNNING: Yes.

MS. OJIMA: Mr. Hudson.

MR. HUDSON: Yes.

MS. OJIMA: Mr. Hunter.
MR. HUNTER: Yes.
MS. OJIMA: Ms. Jacobs.
MS. JACOBS: Yes.
MS. OJIMA: Ms. Carroll.
MS. CARROLL: Yes.
MS. OJIMA: Ms. Macri-Ortiz.
MS. MACRI-ORTIZ: Yes.
MS. OJIMA: Mr. Shine.
MR. SHINE: Yes.
MS. OJIMA: Mr. Smith.
MR. SMITH: Yes.
MS. OJIMA: Mr. Carey.
ACTING CHAIRPERSON CAREY: Yes.
MS. OJIMA: Resolution 10-01 has been approved.
ACTING CHAIRPERSON CAREY: Thank you.
Moving on to item 6, multifamily bonds.

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Item 6. Discussion, recommendation and possible action regarding the adoption of a resolution authorizing the Agency's multifamily bond indentures, the issuance of multifamily bonds, short term credit facilities for multifamily, and related financial agreements and contracts for services (Resolution 10-02)

MR. GILBERTSON: Okay. Very similar resolution for our multifamily programs. This resolution authorizes staff to issue the bonds, utilize the indentures, and again comparable long list of -- bond indentures or forms of indentures that are authorized to be used. We can determine the timing and sizing structure of the bonds up to the amounts that the indenture or the resolution provides for.

Again, it's limited to the eligible bond principal being redeemed in conjunction with new bond issuance amounts awarded to us, private activity bond volume cap awarded by the California Debt Limit Allocation Committee, plus up to $800 million of either 501(c)(3) nonprofit approved entities or taxable debt. And as of this point, we have an award from CDLAC of almost $200 million that was awarded to us in December 2009, and it is eligible for use through 2012.

Some of these slides are going to look very similar, the same types of reauthorization to invest bond proceeds, to hedge interest rate risk, consulting services, financial advisors and the like.

It allows the Agency to enter into short-term credit facilities for loan warehousing purposes or providing operating capital and, likewise, authorizes program documents and agreements to be entered into in support of the program.

So we ought to pause here, considering the last conversation, and talk about the multifamily program and what we're planning to finance, not necessarily mortgage-backed securities in the multifamily space, but they clearly are -- I think I have -- here they are.

The bottom of this page, the requirements of the federal program are that you either have an insurance from FHA, could be an insurance policy or a form of a risk-share agreement. The -- the loan or bonds would be guaranteed by Freddie Mac and/or Fannie Mae or underwritten to their guidelines. Certainly the last one is not a security. It's a whole loan. But they've prescribed some guidelines that an HFA could use.

MR. HUDSON: And this "requires" is the real requires, right? This "requires" is the requires like I define requires requires?

MR. GILBERTSON: Yes. These are the -- this is the universe of products that we can use for purposes of the multifamily program under this new issue bond program. Yes.

MS. CARROLL: But again -- I'm sorry, but again, the resolution is broader, so theoretically you could -- what else could you enter into that wouldn't be part of this?

MR. GILBERTSON: Clearly, again, what we were doing up until this time is -- the more recent financing program was a whole loan, typically without insurance, and we use our general obligation credit to enhance it. Clearly the affordable housing multifamily housing revenue bonds is not a GO credit of the Agency, and so we've limited it again. So we have a standard to the rating agencies in the marketplace that we have a high enough collateral in the form of a loan that they'd be willing to purchase these bonds.

But, again, I think the point is kind of the same. I don't think -- I don't think the fix would be identical, but we could come up with something at the Board's pleasure to kind of restrict the type of asset that we're purchasing.

MS. CARROLL: And I guess, you know, given some other things that we've heard today, I -- you know, I would like to see it limited to what you've outlined here and not pledging the Agency's general obligations to future bonds.

MR. HUDSON: Yes, but if I understood what you said, we couldn't -- you don't have any flexibility with this program.

MR. GILBERTSON: This one, we don't. It's three.

MR. HUDSON: So if we amended the resolution, that doesn't tie your hands at all, right? If we made it only these three products --

MR. GILBERTSON: The only thing you are tying our hands is this is -- this is a $380-million program. I think it's unlikely we would be able to do more than that in the calendar year 2010, but per chance we could do $700 million of lending activity. We have to issue other bonds. And you have given us a laundry list of other bond indentures that we can use that have a variety of different credit support mechanisms.

MR. HUDSON: But they wouldn't be affordable -- multifamily affordable housing revenue bonds.

MR. GILBERTSON: Correct. But that is -- I guess what I would do just, Paul, to be crystal clear, if we look on page 159 of the Board binder, item 24 in a list of 24 is the affordable housing revenue bonds indenture. That means there are 23 other options.

MR. HUDSON: But if we approve this resolution, any money raised, any money derived, from 24 would have to be that. Would have to be --

MR. GILBERTSON: Yes.

MR. SPEARS: That is correct.

MR. GILBERTSON: That's totally correct.

And again, we -- we don't believe -- we think we're going to be challenged to do $380 million worth of lending in 2010. We hope that's not the case, but -- but that's the core of the program as we think about the balance of this -- this calendar year.

ACTING CHAIRPERSON CAREY: Further questions or discussion?

MR. HUDSON: I guess Katie's point has to be dealt with and I guess it can't -- it's not -- maybe it's not appropriate to deal with it in these resolutions, but I think it has to be dealt with from a broader business plan asset allocation, resource allocation, type of plan that says as a Board we only feel comfortable with this much in this, this much in this, and there's ranges, and you have the flexibility to work within these ranges, but that's -- I guess I would feel comfortable if I knew at some point we were going to address that, and that would overlay these resolutions that we're dealing with.

MR. SPEARS: I would point out that in July, it was before your time, the Board adopted a two-year business plan that adopted the MBS strategy for single family, so the Board's taken formal action on a business model that's close, at least on the single-family side. So --

MR. HUDSON: And does it --

MR. SPEARS: -- we can refine that.

(Court reporter interrupts for clarification of the record.)

MR. HUDSON: Does that model -- there's two ways you can do that. You can say you're authorized to do this, this, and this, or it could be you're authorized to do this much with this and this much with that. So which way is it?

MR. SPEARS: It's the former, not the latter.

MR. HUDSON: Former, yes. So I would say it would be nice if the Board could revisit this and say we like all the things you're doing but we're only comfortable with so much in this -- in this riskier vein as we -- as it's defined -- as we define it and, you know, maybe do it percentages or some way, figure out a way that we can manage the risk associated with different products.

MS. CARROLL: And I guess where my concern is right now and what -- and you guys as staff tell me if this a problem. My concern is anything that would further lend the Agency's general obligation to the security. So, you know, now it looks like you're doing these -- basically these insured products, and that, I'm comfortable with. That's, I think at this time, an appropriate business model.

So where my concern is right now is something that I think you really don't plan to do, but it got -- it's in the resolution. And it just seems like, from my perspective as a Board member, prudent to put some limitations out there.

MR. GILBERTSON: Katie, one thing I think we should talk about, Stan reminded me, that we are planning to do a lot of FHA risk sharing.

Under the risk sharing agreement -- this is kind of away from bonds necessarily, but we have an agreement with the Federal Housing Administration where we're going to share in risk, if there is risk on the loan. So we would be using, you know, that general obligation authority of the Agency, the general credit parameters of CalHFA in entering into that.

We think that risk is -- is manageable. You know, I'm trying to -- I'm grappling a little bit on the multifamily side of how we deal with it, and is it better dealt with on the financing side, or is it better dealt with on the loan underwriting criteria? Is -- you could --

MS. CARROLL: Sort of the pulse point --

MR. GILBERTSON: -- do it either -- either place or both places, potentially. But clearly the Board could establish, you know, some sense of where they felt comfortable we should lend on the multifamily program.

It's a very challenging marketplace these days. I mean, we want to do construction lending. We've kind of said we probably can't do that because of our situation. And then you have to go through the rest of the analysis.

ACTING CHAIRPERSON CAREY: Ms. Jacobs.

MS. JACOBS: Thank you.

It is true that we voted on a two-year business plan, but I do think it would be a good thing for us to revisit it at a future meeting, whether it's the March 25th or the following meeting, just because we have new Board members and also things have changed. Okay? Just a suggestion.

ACTING CHAIRPERSON CAREY: Mr. Hudson next.

MR. HUDSON: No, I'll let --

ACTING CHAIRPERSON CAREY: Okay. Ms. Macri-Ortiz.

MS. MACRI-ORTIZ: The concern I have, I think from what I've reviewed -- and correct me if I'm wrong -- but we've had better success and we're not in as precarious a position with the loans we've done multifamily as opposed to the -- to the homeownership. That's -- is that a fair statement?

Then I would say that with respect to this end of the business, I would be more comfortable with the -- with the staff being able to pursue, and perhaps more aggressively pursue, the multifamily side of the business because that may be -- is the most stable one. And just from where I sit, I think, you know, I've seen more trouble, more stress, in terms of the single family than in the multifamily, and the multifamily one really does stay within the mission because of all the -- the constraints.

So I would be hesitant to try to reshape what we're doing in multifamily so much, because I didn't sense that multifamily is our problem. And I -- I don't know, so I would -- I would be more inclined to --

MR. GILBERTSON: I think --

MS. MACRI-ORTIZ: -- see things a little bit more business as usual on this end of the -- of the -- the business plan and the authority that we give for multifamily.

MR. GILBERTSON: As a general statement, I think you're absolutely correct. I do want -- because we have so many new Board members -- we have foreclosed on multifamily properties before. We sold five REOs that were foreclosed during a period of ten or 12 years a couple years ago. We held them and kind of managed them over that time. We had the Ridgeway project in Marin that had construction defects, so -- so we've had a few, but it's not as widespread. As we think about what's going on in single family, and that's really driven by the home prices and the overall economic situation, it's much different.

ACTING CHAIRPERSON CAREY: Ms. Peters.

MS. PETERS: Just a comment on that for the new Board members. On the multifamily side as a matter of course the Board approves every single loan we make, as I understand. There is no staff --

MR. GILBERTSON: There is a delegation.

ACTING CHAIRPERSON CAREY: Above a certain level.

MR. HUGHES: Technically, actually, that's correct. The two statutory functions of the Board are, one, to approve the issuance of securities, and, two, to approve major contractual obligations. And historically the primary role of the Board has been to approve multifamily loans.

I only want to point out that there is an existing Board delegation for small projects, which is defined as under $4 million. But otherwise, every multifamily loan comes back to the Board. And there's actually some other technical delegations on Bay Area Housing and I think on MHS Prop 63 Mental Health Housing. But -- but that's all within the control of the Board.

MS. PETERS: Also, I wanted to ask the Chair's indulgence and see if we might be able to move up agenda item number 10, the business plan update, before we vote on these next resolutions so that we're bringing people up to speed on where we are before we ask them to decide on things.

ACTING CHAIRPERSON CAREY: We want to -- are we -- are we comfortable with voting on this one yet or do we want to --

MS. PETERS: I am personally, but since we keep referencing back to the business plan, and I'd like to know where we are on the business plan, it might be helpful for everyone to see it.

MS. CARROLL: And, I'm sorry, I'm comfortable, especially given your explanation, that we vote on everything that's above four million. I derive a lot of comfort in that.

MR. HUDSON: Me too.

ACTING CHAIRPERSON CAREY: If we could go ahead and take action on this one resolution and then we'll --

MR. SHINE: So moved.

ACTING CHAIRPERSON CAREY: We have a motion from Mr. Shine.

MS. JACOBS: Second.

ACTING CHAIRPERSON CAREY: Second by Ms. Jacobs.

MR. HUGHES: Mr. Chair, we have to solicit public comment.

ACTING CHAIRPERSON CAREY: Yes. I was --

MR. HUGHES: Okay.

ACTING CHAIRPERSON CAREY: I was about to, this time.

This is a public item, and we are open to public comment from anyone in the audience who wishes to speak to this item.

Seeing none, we will have a roll call.

MS. OJIMA: Thank you.

Ms. Peters.

MS. PETERS: Yes.

MS. OJIMA: Mr. Gunning.

MR. GUNNING: Yes.

MS. OJIMA: Mr. Hudson.

MR. HUDSON: Yes.

MS. OJIMA: Mr. Hunter.

MR. HUNTER: Yes.

MS. OJIMA: Ms. Jacobs.

MS. JACOBS: Yes.

MS. OJIMA: Ms. Carroll.

MS. CARROLL: Yes.

MS. OJIMA: Ms. Macri-Ortiz.

MS. MACRI-ORTIZ: Yes.

MS. OJIMA: Mr. Shine.

MR. SHINE: Yes.

MS. OJIMA: Mr. Smith.

MR. SMITH: Yes.

MS. OJIMA: Mr. Carey.

ACTING CHAIRPERSON CAREY: Yes.

MS. OJIMA: Resolution 10-02 has been approved.

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Item 10. Business Plan Update

ACTING CHAIRPERSON CAREY: Okay. It's been suggested we move to item 10, and that doesn't take too much regrouping.

MR. SPEARS: I don't think it will. There was a long discussion about how to avoid duplicity between all these --

ACTING CHAIRPERSON CAREY: Duplication.

MR. SPEARS: Duplication, so sorry. Yes, my mistake. I'm sorry. Hopefully not Freudian.

-- duplication of effort, but to my mind there are three elements. We have to have capital to operate. That's what we're doing in items 5, 6 and 7. That requires a couple things. One is we need sources of financing, and that's 5 and 6 for the single-family bonds, and the -- 6 for the multifamily bonds.

We also need tax-exempt debt issuance authority. That's item number 8 -- or 7. Yes, 7. And that allows us to put the bond plan, and then the other piece is actually the products that we offer.

So what we're trying to focus on is how much capital do we have to work with for the coming year and how would you like to see that employed. We don't -- we -- I tried to save the actual products to -- to this point.

I'll say right off the bat at this point in our planning process, I think it's a little early for us to try to predict how much volume we're going to have. As has been said over and over again, these are very uncertain times. We're not sure what's going to happen with home mortgage rates. I've talked to Bob a lot about what the demand is out there. Lynn and I have had conversations about where things are for affordable housing rental stock. And it's -- it's uncertain.

So what I was going to focus on in this part and have Gary and Bob come on up, is the actual products -- and, Ken, you might as well come up too, because I think we'll be able to use some of what Ken's found out in some meetings with some of our business partners out there on homeownership products and just take you through some thoughts that we have about products going forward.

Again, we're not going to be offering -- we're not going to be purchasing whole loans on the single-family side. We'd like to get back to the KISS model, Keep It Simple, Stupid.

And fixed-rate 30-year products, Paul, you asked about mortgage insurance, I think we'll cover that, but the environment is now that we have a situation where home price values have declined to the point where we're within FHA limits.

MR. HUDSON: So what Katie started, to me, is a discussion of risk management.

MR. SPEARS: Yes.

MR. HUDSON: And in this environment, everybody's sensitive to risk management. And when I hear Bruce say that we -- we've entered into an agreement with FHA to share the risk --

MR. SPEARS: On the multifamily side.

MR. HUDSON: -- on multifamily, that triggers a risk management nerve in my brain that says, well, does the Board weigh in on that issue, or are we just told that we now are sharing with FHA on the risk management? So for me the business plan should address from a Board level what's -- what's the amount of risk we're willing to accept. And what I hear Katie saying is she's much more comfortable with insured -- transferring the risk to somebody else.

MS. CARROLL: Well put.

MR. SPEARS: I will go on record as wholeheartedly agreeing.

MR. HUDSON: I don't know what that means in terms of our business plan. Does that mean we're only going to do -- well, if that's the case, then, you know, Katie doesn't have to worry about it because we're only going to do -- but I hear people ask about flexibility, which would say we'd like the flexibility to do some other stuff also.

ACTING CHAIRPERSON CAREY: Ms. Jacobs.

MS. JACOBS: Might get off track here a little bit. My recollection of the CalHFA single-family loan program is that you can go -- they have up to 97-percent loans. And we just found out yesterday that FHA is tightening up all of its programs to have a minimum 10 percent down and higher credit standards. If we are now going to be kind of an agent of FHA, it looks like in terms of their buying all the loans or getting all the loans, are we going to have to change our standards to match those FHA standards, and how will that affect the business plan? That was one sentence. Pretty good.

MR. SPEARS: I understood it.

MS. PETERS: Did FHA change it all to 10 percent or just --

MS. JACOBS: Yes.

MS. PETERS: -- for low credit scores?

MR. BRAUNSTEIN: No, just for FICO --

MS. JACOBS: No, all 10 percent --

MR. BRAUNSTEIN: My understanding is --

MS. JACOBS: -- and higher credit scores.

MR. BRAUNSTEIN: -- on FICO scores of 580 and below would be the 10 percent down.

MS. PETERS: Three and a half --

MR. BRAUNSTEIN: 580 and above would be either standard down and -- our FHA product is a minimum FICO of 620.

MS. JACOBS: Okay. I think that this is not decided yet at the federal level.

MR. SPEARS: Mr. Chairman, I think to address Paul and I think it's the Board's concern with regard to risk, our business model is on the single-family side transfer all risk to the federal government by becoming a Fannie, Freddie, Ginnie Mae investor. That's our current plan and is consistent with the business model that was adopted back in July.

So -- so then the question is if that's our plan, does the Board have any concern that we do 500 billion -- 500 million of no risk single family or a billion no risk single family. That would be my question for the Board.

MR. HUDSON: Let me -- because I -- I heard Bruce asking for authority and the resolution asking for authority to do whole loan stuff that may be self insured or no insurance. Is that -- so, I mean, Katie -- we don't have to worry about these resolutions if the business plan says you can only do -- you're only going to do insured stuff.

MR. SPEARS: The intent of the staff is to stick to the business plan and --

MR. HUDSON: Which is insured.

MR. SPEARS: Which the insured. We purchase fully insured securities from Fannie, Freddie, Ginnie.

MR. HUDSON: Oh, okay. Then end of discussion.

MS. CARROLL: Another question, intent of the staff business plan versus approving a legal resolution that allows you to do something else, sort of what --

MR. SPEARS: It's the honor system, Katie.

MS. CARROLL: What's --

MR. SPEARS: I go against the -- but I think we amended the resolution, did we not? That --

MS. CARROLL: You did.

MR. SPEARS: -- takes care of that.

MS. CARROLL: I agree.

MR. SPEARS: So that problem is --

MS. CARROLL: I'm not going back on that one.

MR. SPEARS: So it's the intent of the staff.

And so -- so the question before us -- we have a couple of slides here on -- one on the -- one on homeownership and one on multifamily to discuss the products that we're going to be offering.

And all of these products, you can see the very last bullet, is that we are going to be using an MBS model with a master servicer, at least one. And these products would be a 30 year fixed rate with either FHA insurance or conventional insurance. And Gary can go into more detail, but here's what's happened on that side.

As you all know, the mortgage insurance -- we've discussed this. The mortgage insurance industry is not in great shape. They are requiring enormous down payments to even offer mortgage insurance. Fannie Mae, as part of the affinity agreement with HFAs around the country, are offering a product. We'll go up to a hundred-percent LTV, and Fannie Mae would provide mortgage insurance themselves.

MS. MACRI-ORTIZ: That's a no-down product?

MR. BRAUNSTEIN: Yes.

MR. SPEARS: Yes, it is. I'll let Gary go into more detail.

MR. BRAUNSTEIN: Well, in the simplest terms, that's what it is. It's a hundred-percent loan to value with zero down -- excuse me, with a thousand dollars borrower contribution as their down.

As Steve mentioned, Fannie Mae came out with this product in a consortium of the other HFAs across the country for a product that's conducive for HFAs to get back into lending.

And keep in mind for the new Board members, we lend to lenders who lend to borrowers, either through brokers or retail loan officers. So we always have to look to see what our lenders look to us as CalHFA as loan products that are different than they can offer themselves directly. So we always need to have a value add.

So the consortium of the HFAs across the country, when they're looking to get back into loan programs, what drives our first-time homebuyers in the low and moderate income families is that they have limited down payment to contribute to homeownership, and they are looking for a higher loan to value opportunity to get into homeownership.

Just one addition. Fannie Mae with their -- with this program insuring, self-insuring, it includes the mortgage insurance issued by Fannie Mae. And in that there is a pricing component for the loan that we deliver to Fannie Mae with an additional G fee that offsets that additional risk.

MS. MACRI-ORTIZ: I'm very uncomfortable with that because part of the problem that we have out there that is exacerbated is the fact that people walked into mortgages without any of themselves into it. And it's very easy to just say to hell with it when they have nothing vested in it. As hard as it is, if you're really going -- focusing on the -- on the needs of the low income, which is pretty high, I mean, in terms of amount of money low income folks make in California. It's a good chunk of money. I think it's important to have that.

And what I see when we -- when we change -- when we've changed the product, all we've done is we've allowed home prices to go up and to go up artificially, because we make it -- we make it possible for everybody to buy. And if -- if you can let everybody buy what's out there, there's no pressure on the market to start producing product that people, the working folk in this state, can -- can buy.

And in terms of the attitude, I really -- I think the debate really has to be what -- what does buying a home mean to a family? And we've changed it, because before it was your security. It was your shelter. It was where you raised your kids and what schools they were going to go to. And it was security. And what it changed to was just sort of the cash register for the family to be able to go beyond its means, or it was an investment that when the investment didn't look good, that's when you step out.

And if there's no commitment by the buyer, you know, to put some of their hard-earned effort into it, it's a lot easier to walk away. So I just -- I don't see it.

And I think that the more -- you know, it's -- we're in a position where, okay, do we lead or do we follow? And we say, okay, we got to do this for the mortgage lenders because we won't be able to compete with them or they'll -- they won't be interested in our product because of whatever. But if they're taking us down a road that we're going to fall off the cliff and we're just following because we want business, I don't think that gets us anywhere, and I don't think that's fair to the State of California.

MR. GIEBEL: I'd like to go backwards a little bit on this.

MS. MACRI-ORTIZ: Sure.

MR. GIEBEL: We just conducted focus groups with CalHFA preferred lenders, those are the people who have written CalHFA loans -- not so much lately because we've only done 18 -- and Realtors who have put CalHFA borrowers in properties. I will be happy to share those with you, put them on DVDs for you. We talked to about 42 loan officers and Realtors. Sacramento and Riverside, two places where we've done a lot of business in the past and two places where home prices are down 50 to 60 percent, especially Riverside.

I think you'll find this typical of all HFAs and low income and moderate borrowers to put them in their first homes. There's -- there's a couple of key things that separate HFAs from everybody else, because most people have limited funds, either the allocation or down payment assistance.

If we have a product like everybody else, like Paul is doing an FHA product, for example, which is three and a half percent, and we don't provide down payment assistance, for example -- we have CHDAP, the bond, for three percent -- we're not in the game. We have nothing to differentiate from anything that Paul can do or Wells Fargo or BofA, so there's no -- there's no "there" there for us. And the loan officers know that.

For us to get -- on CHDAP they can use that with somebody else's first, by the way.

For us to be -- have a difference on the first, we'll have to have a slightly lower rate. And they told us 25 basis points is fine. But you have to have something different than they have or there's no reason for them to come and see us.

Now, on this Fannie product that was built for FHAs, the biggest problem that first time low -- and this is for -- going to be for low to moderates, is that they really don't have down payment assistance. Our borrowers don't. I mean, if you look -- I'll send you a profile.

Gary, do you have that?

MR. BRAUNSTEIN: Yes.

MR. GIEBEL: Our low income borrower makes in California -- where is this -- $58,000. That's gross. That's -- of everything else. And this, these numbers, are from 2005 and 2008, because we haven't done any business since then.

So the issue becomes this hundred-percent product that was built for HFAs will get business, get people into homes at a time when they're affordable, even cheaper than what they can rent on the market, and, you know, that will differentiate us. Because nobody else will have it. Paul can't get it. BofA can't get it, and Wells.

So if our mission is to put low income and moderates in homes and the federal government's giving us a product and they've given us $1.2 billion to do it, you kind of question, okay, I got it. But it also gets REOs off the streets that are going to investors.

And so the issue really becomes from the loan officers, yes, that product will work. It will work tomorrow. When can I have it? And on the FHA, if you don't give me down payment assistance, actually, don't bother, because I got that product. And, like, 80 percent of the business, I think, is FHA business today. That's the only business that's being done in the state, is all FHA.

And, you know, we have some CHDAP issues where we're not -- we've shut down CHDAP because we require three percent. So if you want to use a CHDAP loan on an FHA, you got a six and a half percent. We have to change that, because we'll have -- then we'll have really no business.

So we've talked to these people for hours. They're an hour and a half. And we did this the last time. We do this for our web site. We've done it for the extra credit teachers program. And we find -- and that's the feedback we get.

But I'll tell you, the warning was -- and I think you'll notice from being in business -- they told us if you don't have something to differentiate it and you don't think it's going to work, don't bother, because what you've given us lately, we can't use.

MR. BRAUNSTEIN: The key also is because our channel reaches out to banks as our origination source, who in turn reach out to their customers and their -- and their brokers, these lenders can target low and moderate income families themselves. That too is their mission.

But they also have access and direct access to loan programs in the marketplace, just like we're proposing. So to Ken's point, if we're not adding a value add as to why that lender would look at their loan officers doing a CalHFA loan instead of them doing their own product, then we're not meeting our mission as originally stated to the low and moderate income families, and, hence, we could build products that will follow to that mission based on the value add that we can bring.

MS. MACRI-ORTIZ: Well, then I think we really need to look a little bit more, because if down payment assistance is something that's needed, maybe what we really need to do is start thinking about partnering with jurisdictions to be bringing in down payment assistance locally or something, because I just -- I'm just real --

MR. GIEBEL: But we do do that.

MR. BRAUNSTEIN: We do do that.

MR. GIEBEL: We've done 18 loans, and we've done ten in Fresno with his people.

MS. MACRI-ORTIZ: Okay.

MR. BRAUNSTEIN: My division targets the localities and the nonprofits for just that purpose. We have an affordable housing partnership program that's specifically targeted to the localities for their down payment assistance. Many of them, you know, are restricted with allocations at this point, but we do quite a bit of that business -- when we had a first-mortgage product that was conducive for bringing in that first mortgage and that additional down payment through the localities.

ACTING CHAIRPERSON CAREY: There's clearly renewed interest in these issues that will resurface at further discussions, it seems to me. We're -- we're -- this is cast as an update on the business plan, and I think we probably ought to move ahead with where we're at, recognizing clearly that there are some opinions that will be dealt with at upcoming meetings, if that is reasonable.

MR. SPEARS: Well, clearly the capital that we have is provided through the new issue bond purchase program. The U.S. Treasury says they'll buy -- or they've bought. We just have the ability to draw on a billion dollars of bond capital plus 40 percent, you know, that 60/40 ratio, that supports that program of up to one -- over $1.6 billion of lending.

Clearly we'd like to get a product out into the marketplace as soon as possible, but we want to have a value add. A year ago at the Board meeting we had a very engaged long discussion about what is CalHFA's value add. And I believe what you're hearing from Gary and Ken, after their conversations with market participants out in the field, these are the things that they look to CalHFA or local government who provides -- who provides loans. This is the sort of thing that they would add to what they've already got available in their own toolbox.

ACTING CHAIRPERSON CAREY: A little ironic that that down payment assistance doesn't really represent that skin in the game.

MR. SPEARS: Right.

ACTING CHAIRPERSON CAREY: And if we end up in a situation where it's all the other lenders who are using this Agency's CHDAP funds, then we've got the risk for those funds but no --

MR. GIEBEL: Just FYI, the Cal30 loans that have been done with the localities, they only have 57 percent of their money on those loans. All the rest is down payment assistance from localities and not from -- and

CHDAP. And CHDAP's only three percent. So right now those loans that we are doing are significant, and the incomes are very low on those loans. I'm saying in the high 20s for the low income.

MR. BRAUNSTEIN: One other point of consideration is that because we're using an MBS business model, the product that we put into that business model is not necessarily as important as it was before when we were doing whole loans.

So if we were to look at a higher propensity of FHA product versus the Fannie Mae hundred-percent product that's exclusive to HFAs, we certainly can consider that, but the question that we, again, need to look at is our lenders, who are our customers, have access to FHA loans. So we as an agency need to produce a product of an FHA product that would provide them a value add to use our loan programs versus doing FHA themselves. Now, that could either be a dramatic drop in rate, comparison to what they can get directly by going to FHA, or it would be down payment assistance or closing cost opportunities.

But, again, the Board should be aware that the makeup of the products in our MBS, the fact that it's an MBS and the principal and interest is guaranteed, again, is not as important as it was before when it was whole loans.

ACTING CHAIRPERSON CAREY: Ms. Peters.

MS. PETERS: Being sensitive to the fact that this is an update, I'd like to, you know, ask the Chair, ask the Board, to set aside some time later in the year to have a thorough vetting of this discussion, because it did come up before we ceased our lending process and before many of our new members were part of the conversation, where the Board was questioning what that value add is.

And I agree that our mission is to get low and moderate income people into homeownership, and I agree that clearly we need a value add here. But I also think that our mission should be sustainable homeownership. And if we have learned nothing from what Wall Street did with other people's money, I don't think we're serving the people of California.

Because what I'm hearing here is Realtors would love to have this product, people would love to have this product, yes, I would love to have this product, and then -- but there's this risk, but it's all rolled off on the federal government. Well, I'm the federal taxpayer. We're all federal taxpayers. And if we're just doing it because someone else said we can do it and we don't think it's necessarily the right fix, then it's not the right fix.

But there is a lot of value add of this Agency for the people we're trying to serve. I think we just need to as a Board define what that is. And it deserves a serious discussion, not a momentary debate and another item, I think.

ACTING CHAIRPERSON CAREY: I think it's great. I wholeheartedly support the phrase "sustainable homeownership," and there are varying ways you affect the sustainability. It isn't just the loan product. There are other ways you can do that. So that should definitely be in the works.

Okay. Where are we at now?

MR. SPEARS: Well, there was the same sort of discussion with Bob on the multifamily side, although here again, these are loans, as Barbara had mentioned before, that have been underwritten. This Board serves as the credit committee for these loans. You will see the larger of these. I think it's a $7-million limit.

MR. DEANER: Four.

MR. SPEARS: Four?

MR. DEANER: It's a $4-million limit, yes.

MR. SPEARS: Any -- any project with a cost of more than 4 million, you're going to see that -- or a CalHFA loan of --

MR. DEANER: Right. We have -- just so the

Board, the newer Board members, we have three programs.

The MHSA program is the Mental Housing Servicing Act that we administer with the counties to put money into projects to take people from homelessness into projects. That is a no-risk project to CalHFA. We underwrite and administer that and get fees for that.

TCAC, our consulting and underwriting role, they got a billion dollars from the federal government to act as a tax credit investor in two multifamily projects. Their role historically, the Tax Credit Allocation Committee, was just to approve the equity, and then you get a tax credit investor to come in as your limited partner, and they act as -- as the other side to make sure the project goes well.

Now that these federal friends have come in, they're really kind of acting as a lender, even though they're going in as grants, and they ask CalHFA and my staff because we do loan products that we act as a consulting role.

I thought Tom was going to say something to me.

We act in a consulting role to underwrite and approve these projects as if they were the lender, even though they're grants. So we're kind of the second set of eyes. And that's a no risk to us, and we're making fees off of that.

The third here is the new issue bond program, and there's really two ways for us to administer that program the way that the federal government has set it up. One, we could act purely as a conduit because we are an issuer. Historically we've been an issuer and a lender, and that's what we prefer to do because we're set up to do that, but we could take the money and act as a pure issuer and let Fannie Mae, Freddie Mac or FHA credit enhance these through other lenders. We act as an issuer to sell the bonds or deliver the bonds to Treasury, yet they put their credit enhancement, and we get up-front fees and ongoing fees.

I've made suggestions to Steve and Bruce that probably a big chunk of that money, that's probably what we should do because we have such a short window to put it out. And I agree we need to figure out where our GO fits in with multifamily, being that we need some GO capital capacity to lend under multifamily going forward, but what is that? And I don't want to roll a program out unless I know -- oh, the GO, general obligation. Sorry, I saw you guys -- until I know what that is because then I know what I can lend against.

So we haven't gotten into the details of the new issue bond program. I've made some recommendations to Steve and Bruce. But I think a big portion of that's probably going to go as a conduit where, again, we'll generate fees up-front and ongoing as an issuer. I've been talking to some of the bank relationships I have that would provide the Fannie Mae or Freddie Mac credit enhancement multifamily lending capacity to utilize that.

And then the last is where we were talking earlier, we've had an FHA re-share program for 30 years with the Agency that we share a 50/50 risk with FHA, if we do a deal. We haven't used it in ten years because we were putting our own general obligation on the bonds because we had an excess capacity to do that, and we wanted to be a construction lender so we were doing construction.

I am looking to restart that program so we can pare off that risk. But for multifamily going forward, there's going to be no way like single family to pare off a hundred percent of the risk if we want to be a lender. There's going to be some risk in there to the Agency, and we've got to figure out, okay, what is that and how much capital do we have to lend going forward.

But to go to the earlier point, too, is that our portfolio has very little delinquencies or defaults and is acting, because pure -- if you've got a hundred units and 90 of them are occupied, you're still going to make debt service, versus homeownership.

So our losses are going to be minimal and -- and -- and to Heather's point is every deal, for the newer Board members, anything over 4 million we bring to the Board as the loan committee to approve before we issue a commitment. So you'll see the deal in its entirety.

One thing I was going to bring up at the next Board meeting but maybe I should bring it up here is under the conduit scenario, under the new issue bond program, there is no risk in that. And if we act as a conduit, there's no risk to the Agency and I'm not -- I'm just bringing this up to think about this is would you want to see those deals? Because we're not going to be the lender or the underwriter. We're purely going to act as an issuer within that transaction going forward if we have no risk within the transaction. Just something to think about. Because we wouldn't be the lender. We'd be actually -- I'd be presenting somebody else's underwriting and the transaction, since they'd be putting the credit risk on the bonds versus CalHFA.

Or we could decide to put a portion of our risk on there with re-share, once we roll that -- restart that program. There's a lot of old files I'm digging up from eight or ten years ago to try to figure out how we did this a long time ago. Because that capacity was only perm lending only. It was not a construction to perm program, which is not what we've done in the last ten years.

So my suggestion under the new issue bond program would be we would primarily do all of that as conduit, because I would like to get that out to projects that can utilize it that can build the affordable rental housing that we need in California, when there are other sources that can enhance that currently.

So those are really the lending programs under multifamily that we're going to proceed -- continue to do going forward. The MHS and the TCAC consulting underwriting, we probably have over a hundred deals in my group right now, and I have folks working overtime because we're so busy right now, just with those two products alone, which is good, and gives me time, then, to work on the new issue bond program and how we can get those dollars out.

ACTING CHAIRPERSON CAREY: Okay. Unless there's something burning, I'm going to move us on to the asset management. I understand Margaret can't be here today.

MR. SPEARS: Margaret had a death in the family and was not able to be here today. There is not a lot of change in her business plan.

We have, for the new Board members, 500

properties that we don't own but have loans against that we -- we monitor a regulatory agreement. And we have inspectors that go out, and it's -- it's a very big workload. We're trying to get her staffed up to deal with some of the newer properties that are coming online.

But the one big thing is the next slide, if you can punch that for me, Bob.

MR. DEANER: I stayed to be the slide guy.

MR. SPEARS: Thank you. And you're talented in that area.

We're still pursuing the performance based contract administration. There have been a number of changes. HUD is behind schedule. That was supposed to all happen in January. I know that's a shock to many of you.

ACTING CHAIRPERSON CAREY: What a surprise.

MR. SPEARS: However, one thing that has come out of all this is I believe it's fair to say that HUD was very interested to find out why so many people were so interested in bidding on this, and it turns out that it was a -- had rather a large economic benefit associated with it. But they wised up, cut back some of those benefits. And so the economics have changed but would still be greatly beneficial to this Agency.

And personally one of the reasons why I would like to pursue it, I think the Board members share my enthusiasm for it, is because it would provide a statewide consistent monitoring of those contracts. I think that's good from a policy standpoint.

And then the other item, the last bullet item, the Citibank loan sale. We discussed that at the November Board meeting. That's moving ahead.

So that was Margaret's presentation.

ACTING CHAIRPERSON CAREY: Okay. Oh, I'm sorry, Ms. Jacobs.

MS. JACOBS: I just want to add to the asset management. I know that most of you know that with affordable housing multifamily deals we have an average of eight layers of financing, so where TCAC and CalHFA and HCD are in the same project, we alternate the inspections. That's how we save money. So every third year when we're in projects together, CalHFA goes out, TCAC goes out or we go out. And you should see how much our clients appreciate not being inspected three times a year by the State. So that was kind of an innovation that we all put in, and it seems to be working out pretty well.

MR. SPEARS: It does. It's -- it's terrific.

You know, I would make a suggestion at this point, Mr. Chairman.

ACTING CHAIRPERSON CAREY: Yes.

MR. SPEARS: While we're here and dealing with administrative items of the Agency, that we just hit item 11 really quick on the office relocation.

ACTING CHAIRPERSON CAREY: All right.

MR. SPEARS: If you could just hang in there, Mr. Deaner.

MR. DEANER: I got it, Boss.

MR. SPEARS: Thank you.

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Item 11. Sacramento Office relocation update

MR. SPEARS: Very quickly, there are two items here. One is the loan servicing move. We've discussed this before. This is a 16,000-square-foot space in West Sacramento, which we're allowed to do. Since we're not moving the headquarters there, we're permitted to locate that outside the city limits. This is net an 83-cent-per-square-foot space as opposed to being -- having all these people in the Senator Hotel at 2 dollars and whatever it is over there.

MR. IWATA: 77 cents. 2.77.

MR. SPEARS: Yes.

(Court reporter interrupts for clarification of the record.)

MR. SPEARS: We have free rent -- I can say that quickly -- and a nice item for employees, free parking, which even though some of these people were taking light rail before, they actually like having the flexibility of their car and no expense associated with parking.

The critical dates are we're going to move in on the 5th. We're going to start business that next Monday. We are going to have an opening ceremony. All of you are invited. We've invited the Secretary, Heather, to join us.

And I think that's going to be a very, very important next step. It provides a lot of flexibility, but the main thing it does for us in loan servicing is at the present time we're very cramped in space in the Senator Hotel. The loan servicing unit is fractured in various spaces all over. We're going to organize everyone in a more efficient configuration.

We're at the same time implementing a new phone system, which I've talked to Barbara about and she's given us a couple of tips about the Spanish language portion of that that we're going to try to implement. It's a very secure location, and I believe that we'll be able to work better, faster, more efficiently. It has its own mail sorting/processing roam, as opposed to mixing in with all the other mail of the Agency and sorting that all out. It just -- all across the board, it will be a much better situation.

What we are considering, moving other staff over there that work in connection with loan servicing and freeing up more space in the Senator Hotel, but -- and reducing the overall square footage that we need.

It's -- it will be a good move for us. It will save money, but more importantly, I believe we'll give much better service to our borrowers.

Next slide.

MR. DEANER: Bingo.

MR. SPEARS: Thank you.

This, again, is something that we've been working on for a very long time. We've hired a tenant representative to look for properties around the city. Again, we're trying to consolidate. We have to be located in the city of Sacramento. We have attempted to get that legislation changed in the past and been unsuccessful. We need access to light rail and public transit.

And here the critical dates, again, we've talked about this before, been in the -- you know, first of September, end of September, time frame our leases expire in the Senator Hotel and the Meridian right down the street.

We've looked at several different options. One is staying put and extending our lease. The other is that our -- that we're currently in serious discussions with is -- the Bank of the West Towers is a brand-new building right on Capitol Mall.

We were talking to 555 Capital Mall, and we talked about this a couple times with the Board. They have cut off all negotiations and become incredibly unrealistic in what they need, and we've just simply stopped talking to them.

MR. HUDSON: What happened?

MR. SPEARS: We're not really sure except that the proposal was talked about between the brokers, between us and local folks, and then it went to San Francisco for the majority owner to look at, and at that point things went south.

So another -- another possibility that's being talked about is a very nice LEED gold certified building that's between Garden Highway and West El Camino exit just north of the American River on the way to the airport. It really is a very nice building for a lot of reasons. It would be very efficient for us to move into from an architectural standpoint. I think it fits with our mission of sustainability and -- but it is a brand-new building. Free parking, again, for the employees. The rent rate would be about the same as downtown. I attribute that somewhat to the sustainable features of the building, the green features of the building, but because I believe that we can organize things more efficiently because we have moved some of our folks into West Sacramento, we would ask for less space there than what we currently rent, so we would save money in the long run.

That's the latest and greatest. I'll tell you my current thoughts, and I realize this is a public session, I become more concerned about moving into a brand spanking new building and new offices when we are announcing losses and that sort of thing. I'm a little concerned about that. I believe that we could make ourselves more efficient in our current space and extend, and that's an option.

I would be very happy to hear the thoughts of the Board.

MR. GUNNING: Is there admin in Senator or is Senator --

(Court reporter interrupts for clarification of the record.)

MR. GUNNING: Is there any admin located in Senator, or is all admin in Meridian?

MR. SPEARS: Our business services and that sort of thing? We have business services, the mailroom, all that is in the Senator Hotel. HR, those functions are in the Meridian.

MR. GUNNING: So if we were to stay, we'd still be split? We can't fit everyone in Meridian?

MR. SPEARS: There's some reconfiguration that could go on.

MR. IWATA: There is some -- we're in negotiations now with the Meridian and the Senator, and they both have acknowledged that there are spaces available that other tenants will be -- their leases are expiring. However, to facilitate everybody and consolidate everybody in one, either at the Senator Hotel or the Meridian, I don't think that's possible. They don't have enough space that's going to be freed up for everybody to -- to move into one -- one spot.

MR. SPEARS: There was a time when I thought that we could rent the space in West Sac and move things around and re -- do some reconfiguring, ask for a little more space at the Senator and we could leave the Meridian and move everybody back to the Senator. After talking to Howard, after talking to the architect, I don't think that's possible. We could minimize it.

MR. SMITH: Do we have a projected cost of the move?

MR. SPEARS: The one nice thing about the other options, they have allowed for the cost of moving. So the --

MR. SMITH: I've got to believe that's built into the price, so the real question is what's the price -- what are we saving by staying?

MR. IWATA: It's approximately a million dollars.

MR. SMITH: A million?

MR. GUNNING: By staying.

MR. SMITH: By staying.

MR. IWATA: No, by leaving.

MS. MACRI-ORTIZ: We save a million dollars by leaving?

MR. IWATA: Yes. It's about a million. When you start talking about --

MR. SPEARS: Yes, net. He was asking about the cost of the move itself.

MR. IWATA: Oh.

MR. SMITH: So the lease rates where we're going to are cheaper than the lease rates where we are?

MR. IWATA: It will be the same -- well, it depends on where you're talking about because we're still in negotiations, so I don't have a bottom-line figure.

MR. SPEARS: Ruben, I would say when we were talking about 555 Capital Mall, that was definitely true.

It has been true of some other buildings that we've eliminated. As we've looked into their structure, it would cost too much to basically upgrade it because the buildings were so old.

That's not true with the Bank of the West Tower and Natomas. The savings that we would generate would be asking for less space. And the savings we would get would be moving a few more people to West Sac and a more efficient organization and use of the space that we do have.

ACTING CHAIRPERSON CAREY: What about the length of obligation we'd have to enter into with -- with -- to stay where we are or --

MR. SPEARS: I'm not -- I'm not sure what that --

MR. IWATA: Again, we're in negotiations, and we're looking at where we're at right now options for a short term, three to five years, versus a longer term, ten years. The other places where we were talking about with Natomas and the Bank of the West Tower, they're looking at approximately ten years minimum.

MR. SMITH: I've got to assume that the rates in Sacramento are lower now than they were, like the rest of the state, or is Sacramento unique?

MR. SPEARS: I'll let Howard answer that.

MR. IWATA: The rates compared to?

MR. SMITH: Well, I'm just saying that -- that this is -- you know, normally if you go into a lease when the rates are low, which in most of California the rates are pretty low right now, this is a great time to enter into new space.

MR. IWATA: Right. Right.

MR. SMITH: Three years from now who knows what those rates are going to be?

MR. IWATA: Correct.

MR. SMITH: And so from a planning standpoint, this is the time to seal in a long-term deal if you're -- obviously no one can predict the future, but I would think that given the way things are -- and I don't know if Sacramento is unique because obviously it's the state capitol and maybe there's a shortage of office space, I don't know.

MR. IWATA: Well, in the downtown area, it seems like there isn't all that much space to accommodate our size. There's little pockets throughout the downtown area. There's more open space on the -- more on the outskirts area.

MR. SPEARS: There's been a recent development, too, Ruben. A lot of this in Sacramento is a function of what government agencies are moving around at the time, and some of you have been aware of the drama surrounding the Board of Equalization's headquarter building. It's a 20-something-floor building. It's a -- mold, windows just suddenly falling out of their frames to the street below.

ACTING CHAIRPERSON CAREY: Is it energy efficient?

MR. SPEARS: It's better air-conditioned now than it was.

They have moved out of that building. I was riding down on a plane with a friend who -- the California Restaurant Association is an investor in one of the newer buildings on the mall. He said they just had a huge group of BOE employees move into their building, and they're out looking for space to take 23 floors of people and scatter them around. In fact, they are talking to a number of people, the same people we're talking to.

MR. HUDSON: So given that there's so many moving parts, I think your specific question would be -- was about a new building. To me, a new building is not the issue. The issue is what's the most cost-efficient productive decision we could make. And if that's a new building, I would go with the new -- I wouldn't let the new building dictate, oh, we just can't go into a new building because it sends the wrong message. I think we have a fiduciary responsibility to be, you know, as efficient as we can. I think what it boils down to, when all the information is in and you can compare, if the best option is a new building, I would go with a new building.

ACTING CHAIRPERSON CAREY: How do other Board members -- is that a commonly held perspective?

MR. GUNNING: I would echo that. I think the perception that here we are moving, but if it's -- if it's cost reduction, I think that it makes sense. It's a -- it's an effort to reduce costs for the Agency, not to be extravagant.

MS. PETERS: And I would think that we could make that clear in any press releases or public statements we make about the move, is just set forth why we're doing it and what our savings are.

MR. SPEARS: May I ask another question? Is there any concern, given everything, of -- these other two options are asking for ten-, even 12-, year leases.

MR. GUNNING: Lock in low.

MR. SPEARS: Okay.

ACTING CHAIRPERSON CAREY: That makes great sense, particularly if we're able to reduce the footprint at a new building at a lower rate or even at the same rate by switching staff to the other location, if that plays out economically.

MS. PETERS: Jack, we can't hear you.

ACTING CHAIRPERSON CAREY: Can you repeat your comment?

MR. SHINE: I said if you move into a new building, what better time to try and get an option on adjacent space. Because there's two choices: We make it or we don't. And if we do, the odds are we're going to be adding people.

ACTING CHAIRPERSON CAREY: Are we going to vote on that, Jack?

MS. PETERS: I vote we make it.

ACTING CHAIRPERSON CAREY: Yes, I do too.

MR. SHINE: I second that.

ACTING CHAIRPERSON CAREY: Okay.

MR. SPEARS: You're making Tom nervous. Thank you very much. I appreciate the comments.

ACTING CHAIRPERSON CAREY: Hold on, I'm getting that look. Okay. All right.

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Item 7. Discussion, recommendation and possible action regarding the adoption of a resolution authorizing applications to the California Debt Limit Allocation Committee for private activity

bond allocations for the Agency's homeownership and multifamily programs (Resolution 10-03)

ACTING CHAIRPERSON CAREY: Let's move back to item 7, which is --

MR. DEANER: I'm passing the baton back to Bruce.

ACTING CHAIRPERSON CAREY: -- CDLAC authorization.

MR. HUDSON: Are there any workmen comp laws that say you have to feed people by a certain time?

MR. GUNNING: Not applicable to the Board.

MR. HUDSON: Not applicable to the Board. I kind of knew that.

MS. PETERS: Actually, on that note, I was sitting here having the same thought, that it seems like every single meeting we're running over, and justifiably so because there are serious issues to be considered. Moving forward, can we just as a routine schedule the lunch break that we occasionally have? Because it's very difficult to concentrate.

ACTING CHAIRPERSON CAREY: Yes.

MR. GILBERTSON: Okay. Back to the routine annual authorizations from the Board. This one --

MR. HUDSON: Very funny. Very funny.

MR. GILBERTSON: This is actually a little simpler. This is another financing resolution. We've talked some today about the California Debt Limit Allocation Committee. You know, one of the things that makes CalHFA important is that we have the ability to issue tax-exempt bonds. We don't control that right. CDLAC does.

So this is simply a resolution that the Board authorizes staff to submit applications to CDLAC in the following amounts. The amounts are larger than we might otherwise expect to apply for. Again, historically the presumption has been that the Board would want us to have a higher limit to apply to CDLAC than we might otherwise come up with. And part of this ties into CDLAC's process historically of having carry-forward allocation at the end of the year. Otherwise you'd have to have an emergency Board meeting, potentially, to convene.

So that's the gist of it. It's $900 million for the single-family program and up to $400 million for the multifamily program.

I would open it up to any questions. I did attach, and it's in the memo and the Board as well, the table that shows the last five or six years' historical amounts that we have received from CDLAC.

Are there any questions? Lynn.

ACTING CHAIRPERSON CAREY: Oh, Ms. Jacobs.

MS. JACOBS: Have you used all your allocations every year?

MR. GILBERTSON: No, in fact, we covered that earlier. If we go back -- let's see if I can find it here. On page 3, when we talked about resolution 10-01, the amounts at the bottom of this slide actually total to almost $1.8 billion. That is the single-family volume cap that we have received over the last few years. And I showed the dates by which it needs to be used.

And we have a similar amount that we just received for the multifamily programs. It's not quite $200 million received in December 2009. Should be good for a three-year period.

ACTING CHAIRPERSON CAREY: Yes.

MS. JACOBS: What does it cost? I mean, do we have a -- are we incurring a big cost by -- by getting an allocation that we don't use?

MR. GILBERTSON: No.

MS. JACOBS: Okay.

MR. GILBERTSON: No, it's minimal. I don't know the exact amounts. There's an application fee, and then when you use it, you actually --

MS. JACOBS: Incur.

MR. GILBERTSON: -- incur some costs.

ACTING CHAIRPERSON CAREY: Other questions?

This is a public hearing. If there's anyone in the audience that wishes to address us on this matter, please indicate.

We're now ready for a motion.

MS. JACOBS: Move approval.

MS. PETERS: Second.

ACTING CHAIRPERSON CAREY: Roll call.

MS. OJIMA: Thank you.

Ms. Peters.

MS. PETERS: Yes.

MS. OJIMA: Mr. Gunning.

MR. GUNNING: Aye.

MS. OJIMA: Mr. Hudson.

MR. HUDSON: Yes.

MS. OJIMA: Mr. Hunter.

MR. HUNTER: Yes.

MS. OJIMA: Ms. Jacobs.

MS. JACOBS: Yes.

MS. OJIMA: Ms. Carroll.

MS. CARROLL: Yes.

MS. OJIMA: Ms. Macri-Ortiz.

MS. MACRI-ORTIZ: Yes.

MS. OJIMA: Mr. Shine.

MR. SHINE: Yes.

MS. OJIMA: Mr. Smith.

MR. SMITH: Yes.

MS. OJIMA: Mr. Carey.

ACTING CHAIRPERSON CAREY: Yes.

MS. OJIMA: Resolution 10-03 has been approved.

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Item 8. Discussion, recommendation and possible action regarding amendments to board resolutions authorizing the financing of loans in connection with the Bay Area Housing Plan (Resolution 10-04)

ACTING CHAIRPERSON CAREY: Item 9, Bay Area Housing Plan, extending the authorization.

MR. GILBERTSON: Yes. So one more financing resolution. This has a lot of history, and so I'm going to back up for the benefit of the newer Board members.

The Bay Area Housing Program is something that we got involved with about five years ago. The California State Legislature approved some legislation that authorized the closure of the Agnews State Hospital, where some 228 individuals are cared for that are severely developmentally disabled.

CalHFA was mentioned in the legislation. We were approached as to whether or not we could be a lender and finance group homes, because these are going to be community-based homes for the individuals who would be moved out of Agnews. Many reasons why Agnews needed to be closed: Seismic risk, the age of the facility, all of those things.

So with -- with good intent and good faith we moved forward, and I think we first signed a whole series of lending agreements with the state Department of Developmental Services and three of the regional centers that have the oversight for these individuals and care of them. And that was in about March of 2005.

This Board then received briefings on the plan, the loan financing, for these homes as well as the financing aspect over a period of times. I've listed here the resolutions of this Board as it related to authorization to issue debt to finance these homes. First approached the Board in 2006. We had to extend that authorization in 2007. We came back one more time in 2008.

And the story behind this is that we need the cooperation of both the state Department of Developmental Services and we need the cooperation of the regional centers to get to the marketplace. The marketplace, as we all know, beginning in 2007, took a turn for the worse.

And so where we thought we could have credit enhancement from a municipal bond insurer to support a relatively low rated credit -- because the loan to values on these homes are very, very high, upwards of 150 percent or 170 percent. That didn't avail itself to the Agency, so we're forced with an environment where the cost of the debt service on the bonds that we would issue would be -- would be much higher than the expectation that anybody ever had, at the state level, the regional centers. And these are the people that are appropriated the money to care for these people.

So we went into a period of time of false starts and stops. The Treasurer's Office was involved at a couple different times in large kind of discussions. We believe now that, you know, the regional centers and other interested-party stakeholders have looked at all other options. They were trying to find somebody to buy the loans from CalHFA because at this point we're sitting with -- another side here.

There's 60 loans. It totals $91 million. There's one loan for each of these properties. We own the loans. We financed those on an interim basis with a short-term credit facility that we receive from the Bank of America. We need to get them off that short-term facility. It simply doesn't work over the long haul.

So the resolution in front of you gives us another one-year period for which we can issue debt that would be secured solely by the loans, and the loans really work because of the appropriation from the State of California to the -- to DDS. DDS funnels that on to the regional centers. And that funding effectively funds a lease obligation that would be the collateral for the bonds.

Quite complicated. And if you want to see complicated diagrams, Mr. Hughes created one a few years ago. We could share that with you.

The point of this is that we think we have an agreement in general. We have a meeting coming up in the first week in February to move forward, and hopefully we can get to the marketplace by, you know, late spring, issue the bonds that are necessary so that we can finance these loans with bond proceeds on a limited-obligation basis where the Agency would not have risk. The interest rates are likely to be somewhere for the tax-exempt component perhaps 9 percent, and taxable component could be as high as 15 percent.

These are -- they were double-B rated credits a year ago. We'll have to go back to the rating agencies. With some of the state issues, I'm not sure where they will come out on that, but it certainly is going to be a bit of a challenge, but we need this authority to even have the opportunity to issue the debt.

Any questions?

MS. MACRI-ORTIZ: Who exactly are the borrowers? I mean, who's owning those group homes?

MR. GILBERTSON: The group homes are actually owned by --

MR. HUGHES: Bruce was alluding to the complicated diagram in this transaction. I can assure you it's really complicated. At the end of the day, the actual borrowers are limited liability companies that are managed by nonprofit organizations that were formerly affiliates of the regional centers. They're basically entities set up to own these properties, but they are nonprofit.

The whole idea of the transactions from the State's point of view was to stop the practice of paying for leasing on group homes and then have the owner sell the group homes. These are homes now that are dedicated for the life of the home to the -- housing developmentally disabled people. In other words, the State wanted to pay once. And the financing scheme that was developed has the actual borrowers be these essentially affiliates of the regional centers, real estate affiliates of the regional centers.

The funding comes from the State. This is really -- at the end of the day, although these are loans that are secured by real property, they're underwater. This is fundamentally not a real estate transaction, it's a state appropriation credit. It doesn't work as a stand-alone real estate. It was never intended to work as a stand-alone. The ultimate source of payment is the State of California.

MR. GILBERTSON: One more point, I think, especially for the newer Board members, because we've talked about this many times. This is a perceived risk that the rating agencies always bring up when they talk about CalHFA's general obligation credit rating because they worry that these loans, we're going to be stuck with these loans. The facility from Bank of America has an expiration date. It's February of 2011. We will make every attempt to renegotiate and extend that, but absent that, then we're going to have to fund the $91 million.

And so until we resolve this with a permanent financing source, like bonds that we issue for this purpose, it's going to be something that the rating agencies are extremely concerned about.

So I -- I'll let Katie speak if she has anything else to say from a broader state government perspective, but we have really spent a lot of time trying to work through the totality of options that the State might have in this space to try to deal with this. I think we're close to having a consensus that we should just move forward and issue the bonds, even though the rates are going to be high, because it's the best solution that anybody can come up with.

MS. CARROLL: Right. And we at the State Treasurer's Office, did look at this, given that it's primarily a state credit, to see if there were -- was a better way to issue it, where, you know, might have even taken legislation to move it from CalHFA to some -- maybe there was a more appropriate issuer, but the fact of the matter is the way it's structured and how long -- you know, how far it's gotten along, that's really not possible. We fully support the Agency's -- the staff's recommendation to go ahead and sell.

MR. HUGHES: I should probably -- again, we sometimes forget we have so many new Board members without the history on this. The reason why these are -- the loan to values are very, very underwater, 150 percent or they started life in many cases over 200 percent, was that these were normal single-family homes acquired and completely rehabilitated, remodeled, to accommodate severely disabled people, which meant in some cases, you know, the widening of walls, putting oxygen in walls, just things that you would never do in a normal house. Very expensive process.

ACTING CHAIRPERSON CAREY: Again, the action here today is to extend by one year the previous action.

MR. GILBERTSON: Yes. There's a bullet. Resolution 10-04 would authorize a one-year extension for the issuance of bonds in connection with this program. And that -- and that extension would go until 30 days after the first Board meeting in 2011. And we -- at this point, we have every intention and expectation that we'll probably complete this no later than summertime 2010. We've said that before, however.

MS. JACOBS: I'd like to move approval, please.

MS. PETERS: Second.

ACTING CHAIRPERSON CAREY: Okay. We have a motion and a second.

If there's anyone here in the audience who wishes to address the Board on this matter, please indicate.

Seeing none, we will have roll call.

MS. OJIMA: Thank you.

Ms. Peters.

MS. PETERS: Yes.

MS. OJIMA: Mr. Gunning.

MR. GUNNING: Yes.

MS. OJIMA: Mr. Hudson.

MR. HUDSON: Yes.

MS. OJIMA: Mr. Hunter.

MR. HUNTER: Yes.

MS. OJIMA: Ms. Jacobs.

MS. JACOBS: Yes.

MS. OJIMA: Ms. Carroll.

MS. CARROLL: Yes.

MS. OJIMA: Ms. Macri-Ortiz.

MS. MACRI-ORTIZ: Yes.

MS. OJIMA: Mr. Shine.

MR. SHINE: Yes.

MS. OJIMA: Mr. Smith.

MR. SMITH: Yes.

MS. OJIMA: Mr. Carey.

ACTING CHAIRPERSON CAREY: Yes.

MS. OJIMA: Resolution 10-04 has been approved.

ACTING CHAIRPERSON CAREY: Okay. I'm going to suggest we press on through item 9, which is really the last issue.

MR. SPEARS: I believe it is the last item.

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Item 9. Report, discussion and possible action regarding the Agency's financing and program strategies and implementation, and loan portfolio performance, in light of financial marketplace disruptions

ACTING CHAIRPERSON CAREY: Staff report.

MR. SPEARS: Staff report. And we have three issues here that these are just updates for the Board.

The first has to do with the second part of the federal assistance plan. We've already dealt with the new issue bond program. That's in place.

The other part was a temporary credit and liquidity facility. Tim's going to give you an update on that. Very simply, it's been implemented. We're wrapping up the final parts of this in January. It's been very beneficial. We'd like to give you some idea of the magnitude of the benefit.

Lori has finished the first quarter financial statements for the housing fund. We'd like to show you the results of that quickly.

And then finally -- and we may just point out that there's a report on the loan performance in -- under the report -- I forget which tab it is. I think it's G -- that is available for -- for you to look at, if anyone has any questions at that point.

But let me start with Tim. Then we'll move to Lori and see if anybody has any questions on the loan servicing -- or the -- I'm sorry the loan performance.

MR. HSU: There's a report in the bind -- there's a report in the binder regarding the TCLP program. Over the next four slides here, I'm going to talk about the bonds that we have in our portfolio that have financed our activities over the years. And over the last 18 months or so, most of the times when I come up here to present it's mostly bad news. And so finally I think that the next four slides actually have a good story.

The TCLP, Steve mentioned, is the second part of the federal assistance package that we received back in October. And what this allows us to do is to replace all the standby purchase agreements that we have as back -- as a backstop on our variable-rate bonds. These -- to make a long story short, these standby purchase agreements, or these liquidity facilities, are actually -- are really the backstop that allow these variable-rate bonds to trade in the money market eligible space so that they can continue to re-set as variable-rate bonds.

This is a tremendous -- without mincing words, a tremendous benefit to our viability going forward. I have here summarized four reasons -- which again, there's a more detailed write-up in the binder -- four major reasons why this is a tremendous benefit.

First of all, it gives -- it completely eliminates the rollover risk of these facilities for the next three years. We had mentioned that we have about -- we had about $197 million of facilities that expired, and we had basically staring in our face $2 billion of facilities that we would have needed to review this year.

And the reason why that's really, really important is that when they don't renew and they expire, they become something we refer to as bank bonds. I'm giving the Reader's Digest version of all of this stuff because this is bad news that's behind us that we don't have to learn it, in some sense.

And when they become bank bonds, you really have to accelerate the repayment schedule of the bank bonds. And in 2009, we have repaid on an accelerated basis about $60 million of this. And if we had carried some of these bank bonds into this year, those numbers would have been a lot bigger.

And the third reason why not having the bank bonds or having done the substitution therefore avoided the bank bonds is that we would be able to restore the reimbursement relationship that we had talked about earlier between the special obligation to the general obligation. And on 2/1/2010 we expect that dollar amount to be about $118 million.

And the fourth reason is that with the Treasury and the GSE's backstop on these bonds, these bonds now are considered as the gold standard of these kind of bonds in the marketplace, and they're trading extremely, extremely well. The early indications are that they're basically setting at the benchmark rates. So this should save us a lot of money in terms of the cost of funds on these bonds.

In the spirit of transitioning from bad news to good news, I'm hoping this is the last time I show this chart. This chart is a history of our bank bonds since the inception of -- what I have referred to as sort of the inception of the credit crisis as being when Lehman Brothers filed bankruptcy.

You can see at its height we were staring at bank bonds that were at the level or nearing $1.2 billion. As of last Wednesday, we got rid of all the bank bonds. And to today we don't have any bank bonds, and we are hoping to continue that trend in the near future and also into the next -- beyond three years as well.

This chart, however, as long as we have swaps in our portfolio, this has become one of the major tools that we use to monitor to early -- to Paul's earlier point about risk management and risk mitigation, we use this chart basically to monitor the performance of our swaps. So this chart -- as long as we have swaps in our portfolio, this chart will be with us.

What this chart is showing is a history of our basis risk -- basis mismatch risk. What basis mismatch is is the difference between the bond -- the difference on what we're paying on the bonds and what we're receiving from our swap counterparties. So in an ideal world, if what we're paying is equal to what we are receiving from our swap counterparties, then our cost of funds will simply be the fixed rate that we're paying to our swap counterparties. So that's the ideal world of a perfectly hedged swap.

But unfortunately over time, because of all these disruptions we talked about where -- where the -- the bank that's providing standby purchase agreements' credit has gone sour, where when we have experienced credit events ourselves, our bonds have not been trading very well and therefore you can see that in the payment year 2009, our basis risk was 130 basis points or when you translate that into dollars was nearly $50 million.

And what we're showing here is also --

(Cell phone ringing.)

MR. HSU: -- a periodic basis mismatch amount. I don't think that's me. And what we're showing here is -- so for example, in the payment year 2009, the basis mismatch amount was $50 million. But to be sure, these are periodic amounts, so the total amounts, the total cumulative amount of basis mismatch amounts that we have experienced up until 2009 was actually in excess of $110 million.

But the good news here is that what we're showing in the striped bars, if you will, that with the implementation of the TCLF, we expect this basis mismatch amount to go back to a more normal level like when we used to experience back in the 2003 and 2004 era.

Lastly, this chart is a very high-level view of our bond portfolio. When the credit crisis hit, there was a lot of questions of tying together about what people were hearing -- especially Board members were hearing in the headlines versus what we had in our portfolio, and we made this chart to show some of the multiple attributes that we have on our bonds and the cross section of these attributes. And the cross sections are meant to highlight where, you know, the troublesome areas were.

So on the left-hand side what you're seeing is our bond portfolio as of October 1st, 2009, sort of the before picture of the TCLF, before we implemented the TCLF program. And on the right-hand side what you're seeing is after we implemented TCLF program. You can see that we have a lot less bonds that I have colored in red, therefore we have more bonds that are less worrisome.

Some of the highlights here I'll point out is that you can see in blue there that $2.4 billion, though they were less troublesome. When we mentioned that we have about $2 billion of standby purchase agreements that are going to renew this year, they were embedded in that $2 billion.

So the upshot here is basically demonstrating that our portfolio after we implement TCLF has a lot less areas in which we have less concern over.

I think Lori's going to talk a little bit about our financial results.

MS. HAMAHASHI: Okay. This is our balance sheet as of September 30th. And during the quarter, our assets did decrease by approximately 390 million. And that was due mainly to the disbursement of funds during the 8/1 debt service and early redemption of the bonds during that period.

We also saw a decrease in our total liabilities of about 323, and 219 million of that is related to the bonds payable number going down.

Our fund equity for the quarter decreased by 66.7.

If you look at the next slide, our income statement. What happened during the quarter was that we're reporting a loss of $76.6 million.

And we do have another slide following this that shows exactly what the components of the operating loss for the quarter were. And first one was the increase in the allowance for loan losses of 26.3, and that was from the increase in the GAP loss reserve amount.

In the basis mismatch, I know that Tim talked about, you know, this is what we were experiencing for the quarter related -- for the period 7/1 through 9/30, so we had to report this as a loss also.

And during the quarter, we terminated some interest rate swaps for a total of 39 million. They were swaps that we had with CitiGroup Financial Products and with Merrill Lynch.

MR. HSU: I would just add that the termination of the swaps, they were associated with our efforts at increasing the collateral thresholds, that -- that that prior to the current concerns regarding the performance of the loans was also a concern we had because with the threat of the downgrades, there was a potential that we would have to post a certain amount of collateral to the counterparties that would -- that would be quite large.

So in an attempt -- in an effort to increase the collateral thresholds with our counterparties, the -- the negotiation that we underwent with them required that we terminate certain interest rate swaps with them currently, and in return they gave us much higher collateral thresholds on our swaps.

ACTING CHAIRPERSON CAREY: Ms. Peters.

MS. PETERS: Just a quick question on the termination of interest rate swaps. Is that going to be an ongoing fluctuating number, or are we done with that now?

MR. HSU: In terms of the amount of termination, that is done. The mark to markup on the remaining portfolio of swaps is fluctuating over time, but the thresholds that they gave us in return, the higher thresholds they gave us in return, is also fixed.

But in many part, in most part, what we did was that we set those thresholds at such a level that posting -- even if it were to post with quite dramatic fluctuations of the swaps, the amount that we're posting wouldn't be as large as we -- you might recall some of the numbers that were showing were amounts that were quite large. And the amounts that we're posting now -- as you know, interest rates are extremely low these days, and the amounts we're posting now are very manageable compared to some of the numbers we were staring at before.

ACTING CHAIRPERSON CAREY: Ms. Jacobs.

MS. JACOBS: I have a real basic question. On the current assets, the cash and investments, how much is cash, and what kind of investments?

MS. HAMAHASHI: Most of our investments right now are with SMIF, the majority of it.

MS. JACOBS: So are they money market or what? What is it?

MR. HSU: It's being -- it's SMIF, which is being invested by PMIA. So that's the --

MS. JACOBS: Okay.

MR. HSU: -- State's pooled investment fund.

MS. JACOBS: Okay.

MR. HSU: So it's effectively a money market.

MS. JACOBS: Okay. And what's the breakdown roughly? Do you know? How much is cash, and how much is money market?

MR. HSU: Oh. I think that in terms of cash cash, we have very little because it all gets sweeped into SMIF or this fund that's managed by PMIA.

MS. JACOBS: Right.

MR. HSU: If it's less -- if it's more than a thousand dollars, I think there's an automatic sweep into SMIF.

MS. HAMAHASHI: That is correct.

MR. SPEARS: Surplus Money Investment Fund.

MS. JACOBS: So there aren't any other investments in there --

MR. HSU: We do --

MS. JACOBS: -- besides PMIA?

MR. HSU: No. We -- we -- in the indentures that we have, such as HMRB and multifamily 3, we do have guaranteed income contracts with banks, in most part. And some of those banks' ratings as they have deteriorated we have terminated the GICs and gotten the cash back. And when we do get the cash back, we do end up giving it to PMIA to invest again.

MR. GILBERTSON: One other way to think of this, there is a report in the back because annually we produce an investment report for the Board. It's on page 207.

MS. JACOBS: Okay.

MR. GILBERTSON: And so it will show you -- at the time, because this was June 30th rather than September 30th, but it shows you the composition, I think if you look at page 208.

I think -- I'm just anticipating where you're going. You're seeing a big number, $2 billion. We have to remember a large portion of that is under the lien of certain trusts, which are these bond indentures that the trustee has the right over. We have -- we have the ability to use some of this, but it's not all free and clear to the Agency for any purpose.

And some of the Board members have heard that from us before, but I just want to make sure that everybody's not thinking we have, you know, effectively $2 billion that we could do anything with. A lot of this is pledged to pay debt service on bonds as they come due, and it's an accounting statement, so you have accruals going on inside.

MS. JACOBS: Okay. So how would I -- how would I know how much is available cash, about?

MR. GILBERTSON: And we -- we -- I'd say today it's a little over $200 million, 215, thereabouts. And that's part of what we're going to brief you on at March, is certainly that liquidity position that we have, so.

MS. JACOBS: Okay. Yes, I think that would be very useful information. Because when you just look at this summary, it's -- it's --

MR. GILBERTSON: You have to really --

MS. JACOBS: -- like why is there a problem?

MR. GILBERTSON: You have to understand all the elements of this, the financial statements.

MS. JACOBS: Well, I'm glad you're going to help us do that.

MR. HUGHES: Some of the cash that's in there, too, are also funds which are completely restricted, such as Prop 63 funds to run the MHSA program. They're not ours. They're contract administered. We have other funds like that. We can't touch those for our own purposes.

And then, of course, we have a lot of assets as part of our equity, and those assets are nonliquid loans, long-term loans. And so --

MS. JACOBS: Right. I mean, that's why -- but I'm just looking at the cash and investments line. Loan receivables, I get.

MR. HSU: Later in -- in the past when we had -- last year when we had those discussions regarding the threat of the swap --

MS. JACOBS: Right.

MR. HSU: -- collaterals, in those presentations we did show the net cash that the Agency has, which hovers around $200 million or so. So we --

MS. JACOBS: Okay.

MR. HSU: We would attempt to re-create that.

MS. JACOBS: Okay. That would be great. Thank you.

ACTING CHAIRPERSON CAREY: Okay.

MR. SPEARS: The final item under this tab is the loan portfolio performance, and I would just direct your attention back under tab G, which is very close to the investment report.

And, again, this is -- this is enough data to slice and dice just a million different ways, but if you'll notice on page 217, it's under tab G, the bottom right-hand corner, the delinquency information about conventional loans in total. I remind you that the exposure of risk to CalHFA is with the conventional loans. FHA loans, a hundred-percent guaranteed. So we track this figure. It's 15.52.

To give you an idea, that is a reconciled number from October. The September number was about the same. And the November 30 unreconciled data that I have that is provided to staff, that's gone up by about 30 basis points. It's about 15.8.

And what I've noticed is a trend that whereas between April and September that number right there went up by 60 basis points every month, every month, it's a very steep curve, it seems to have leveled off a bit, where I'm noticing a slight improvement. But I would caution you that this is only -- I don't know that it's long enough for a trend, but I see decreasing numbers of loans from the 30- and 60-day categories, especially on the conventional side, but even on the FHA side.

So we have fewer loans in the last two months that have gone into the 90-plus category. We're still working on that 90-plus pool of loans to do modifications, short sales. Unfortunately, some of them are foreclosures. But I have seen some slight improvement. I will caution you that in January and February traditionally -- I've talked to Chuck about this a lot and Rhonda Behr (phonetic), our loan servicing director -- you're going to see a bump up just because that's when people get their Christmas bills on their credit cards. That's when they're planning their taxes. That's when they're looking at finances. And there may be more strategic defaults. There may be more folks who just decide they can't make their payments anymore.

There was also a moratorium during the holidays, as we traditionally do, and I think that's pretty standard for the loan servicing industry, on foreclosures and collection actions during the holiday season, and that will cause us to go up a bit. I'm hopeful it's not as steep a curve as it has been in the past, but I just thought I'd bring you up-to-date really quick.

MR. HUNTER: I'm glad you brought that up because that was one of the things I was looking at, trying to figure out is how, where, is there a place in these reports where I can see that trending or would I have to go back and physically pull out my reports from last month?

MR. SPEARS: We can make that available.

MR. HUNTER: It would be very helpful.

MR. SPEARS: Okay. Will do. Well, there is a graph.

MR. GUNNING: 219.

MS. JACOBS: 219 seems to be a start, anyway.

MR. SPEARS: It's not broken down, Jonathan, the way I just presented it, but it does give you an idea of the trend over time but only in the 90-plus category. I started a binder some time back of --

MR. HUNTER: Well --

MR. SPEARS: -- trying to divide this.

MR. HUNTER: -- it's year to year.

MR. SPEARS: Yes.

MR. HUNTER: The graph, this graph, is year to year, right?

MS. JACOBS: Yes.

MR. SPEARS: Well, it has monthly --

MR. HSU: It's plotted over quite a long period of time.

MR. HUNTER: Oh, okay, okay, okay.

MS. JACOBS: It's quarterly, I think.

MR. SPEARS: But I can get you more detailed information.

MR. HUNTER: Great.

MR. HUDSON: Why is the information so dated, like October?

MR. SPEARS: My understanding is part of it is because we -- our fiscal services folks -- maybe Lori can shed a little more light on this. We have a number of outside servicers. 60 percent of our loans are managed by outside servicers, and we have to go through a process of getting their information and reconciling it to our own books, and that takes some time. I wish our accounting system was more responsive. We're in the process of updating it, and it will be better in the future.

But I don't know, Lori, can you shed any more light on the time that it takes?

ACTING CHAIRPERSON CAREY: There's been some improvement in the outside servicers.

MR. SPEARS: Yes, it has -- it has improved. They were sending us tapes in the mail, and now they're transmitting that electronically. It's improving, but it's not to the place where I want it to be just yet.

MR. HUDSON: You're just now looking at November, and it's not finalized. So you're about -- there's about a 60-day lag?

MR. SPEARS: Yes.

ACTING CHAIRPERSON CAREY: Other questions or comments related to this or other pieces of the reports?

MS. MACRI-ORTIZ: I have just one question with respect to the loan companies that are listed here. Are they generally geographically based, or are they all over the state in terms of where they're doing their business?

MR. SPEARS: On page 218?

MS. MACRI-ORTIZ: I'm on page 218, yes.

MR. SPEARS: Those are loans throughout the state of California.

MS. MACRI-ORTIZ: No, but I mean the individual companies, are they statewide or are they in geographic areas?

MR. GILBERTSON: Well, I'm sure they have a concentration area, but some of these names are very large, like Bank of America Countrywide.

MR. SPEARS: BAC is Bank of America Countrywide.

MR. GILBERTSON: I don't know. It's really going to be dependent on where they have their individual offices. You know, Guild, for example, some of these loans are actually purchased and they're servicing them after they've acquired loans that were originated by others. So I don't think there's a lot of correlation, but there could be some.

MS. MACRI-ORTIZ: Just in terms of the difference in the -- if you look at the delinquency rates at the end, it's quite a span.

MR. SPEARS: Yes, it is.

MS. MACRI-ORTIZ: And I'm just wondering if that's geographic, an indication of, you know, geographic area or are --

MR. GILBERTSON: One of the things that we know we've observed is that some of the servicing operations are actually outside of California.

MR. SPEARS: Right.

MR. GILBERTSON: And so then they have different hours and so that's been -- and typically, I don't know if it's continued, but you have higher delinquency ratios if the servicing operation is in Missouri or someplace. Because they have a different -- they're not necessarily trying to reach our borrowers at 7:00 p.m. California time.

MR. SPEARS: Chuck may have --

MR. MCMANUS: There's a lot of variables underneath those, the fact that these servicers have -- there's a book of business. They're all before 2005, the delinquency rate is way down. If they're all 2006, it's to the moon. So there's loan to value differences, if they're all 197 LTVs or if they're all FHA. So you can't blame the servicer necessarily for that delinquency rate. It's the loans they took upon to service. They're not necessarily originators. Most didn't originate most of what they service. And the Bank of America's really mostly Countrywide that they've acquired.

So it's not an easy question to answer. There's too much noise underneath.

MS. MACRI-ORTIZ: I think the only thing is, I mean, when we're talking about a business plan moving forward and how much of the servicing are we going to take in-house and all, I think the information -- there's probably some really valuable information here if we could just take a look at it. But whether you can even peel that off, I don't know.

MR. MCMANUS: We have delinquencies by 30, 60, 90, by county. I mean, we have a lot of information geographically. But we are a statewide lender.

MS. MACRI-ORTIZ: Yes. No, I'm just saying if you can put county and lender together, I think that might give us a better picture of what's really going on.

ACTING CHAIRPERSON CAREY: Okay.

MR. GILBERTSON: You know, maybe -- maybe on that topic, Steve, we could -- if Board members have a specific request for a way to see data as it relates to the portfolio, we will do our best to try to provide it at the next meeting.

So I think we have a sense of what you've asked for, Barbara, is the lender by county and delinquency kind of totals.

MS. PETERS: One more --

ACTING CHAIRPERSON CAREY: Oh, sorry.

MS. PETERS: -- specific request on information. Since such a high volume of our loans are being serviced by Guild and by Bank of America Countrywide, I'd like to have some input onto -- as to how those contracts are going, if -- if you think delinquencies in those particular two servicers are so high for any other reasons than Chuck just mentioned, I think we'd like to drill down on those two servicers and their performance a little bit more.

ACTING CHAIRPERSON CAREY: Good point.

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Item 13. Discussion of other Board matters

ACTING CHAIRPERSON CAREY: Other Board business?

Let me -- we were just thinking a little bit earlier about the schedule. The meeting is scheduled for March 11th. There's information that we -- that is destined for us. We don't know that it will be complete at that point, but it will be in draft form. We've talked about a meeting on the 25th. I'm also realizing, as Steve, the following meeting, the May meeting, is the meeting at which you traditionally adopt the business plan and adopt a budget.

And so handing this to the staff to work through but with the Board's willingness, I'm going to suggest that we try to keep both of those days open, the 11th and the 25th, that the potential would be that we would meet on the 11th, get the reports, get the information, continue the meeting to the 25th, if necessary, for some of the more business plan related discussions or however. But it seems that we have a fair amount of information, follow-up and discussion between here and adopting a business plan in May.

MS. PETERS: Would the March 25th meeting be appropriate for the value add discussion, or is that too soon?

MR. GUNNING: Are we keeping the 11th?

MS. PETERS: Are we doing both the 11th and the 25th?

ACTING CHAIRPERSON CAREY: My --

MR. GUNNING: Keep them the same as it is now.

ACTING CHAIRPERSON CAREY: My suggestion is on our calendars we keep both dates open and allow the staff some time to work on agendas and scheduling and see whether it makes sense to use both of those dates as a way to cover the ground that we seem to --

MS. JACOBS: Are they both in -- are they both in Sacramento?

ACTING CHAIRPERSON CAREY: Both in Sacramento.

MR. GUNNING: And then value add we could do in May, right?

ACTING CHAIRPERSON CAREY: Well, it's on the list of items. I kind of think we need to give the staff the room to figure out what they can pull together for us in a relatively short time.

MS. PETERS: Yes, I'm just thinking that we probably want to have our debate about value add before you adopt a business plan.

ACTING CHAIRPERSON CAREY: Exactly.

MR. GUNNING: Right.

ACTING CHAIRPERSON CAREY: Yes. Yes. Is that acceptable to folks?

MR. GUNNING: You think that could be done in May at the same time? That's the question. Right?

MS. PETERS: That's up to staff.

MR. SPEARS: In May? Or March? March 11.

ACTING CHAIRPERSON CAREY: And 25th potentially.

MR. GUNNING: And the May 25th meeting.

MS. PETERS: I'm just wondering how staff is going to put together a business plan to be presented and adopted in May if we haven't given them input prior to that on what we think the value add is.

ACTING CHAIRPERSON CAREY: Yes. And what I'm suggesting is that we would use -- if we use the two days in March, that we would use them for the other information we're talking about, reports and such, and for a continuation of the discussion about what our -- what the lending models are, et cetera.

MR. SPEARS: But in the --

ACTING CHAIRPERSON CAREY: On the way to the business plan.

MR. SPEARS: And the only concern is we'd like -- we'd like to get that feedback as we're developing products so that we can take advantage of the new issue bond program and start taking reservations at some point.

MR. GUNNING: Are you asking for two meetings in March?

ACTING CHAIRPERSON CAREY: Potentially.

MR. HUDSON: That's where we got you.

ACTING CHAIRPERSON CAREY: Yes. What I'm suggesting is that we would keep open for ourselves the possibility of meeting both the 11th and the 25th. Otherwise we come for the business plan adoption in May without having had the opportunity for the kind of, I think, more robust discussion that folks want on top of the other -- the other business we have.

So we'll -- we'll -- with that in mind, we'll ask the staff to work in that direction.

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Item 14. Public testimony

ACTING CHAIRPERSON CAREY: This is an opportunity for the public to address the Board on any matters that were not on the agenda. Is there anyone who would like to address the Board at this point?

Seeing none, we are adjourned.

(The meeting concluded at 1:16 p.m.)

REPORTER'S CERTIFICATE

I hereby certify the foregoing proceedings were reported by me at the time and place therein named; that the proceedings were reported by me, a duly certified shorthand reporter and a disinterested person, and was thereafter transcribed into typewriting by computer.

In witness whereof, I have hereunto set my hand this 4th day of February, 2010.

____

Yvonne K. Fenner

Certified Shorthand Reporter

License No. 10909, RPR

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State of California

M E M O R A N D U M

To: Board of Directors **Date:** February 19, 2010

Bruce D. Gilbertson, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: ANNUAL SINGLE FAMILY BOND REAUTHORIZATION RESOLUTION 10-01

At the January 21, 2010 meeting of the board of directors, the board amended and subsequently approved Resolution 10-01. Attached for your review is Resolution 10-01 marked to show the amendments in Section 11 as changes from the original version. If these changes are acceptable, no further action is required by the board.

Attachment

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RESOLUTION NO. 10-01

RESOLUTION OF THE CALIFORNIA HOUSING FINANCE AGENCY AUTHORIZING THE AGENCY'S SINGLE FAMILY BOND INDENTURES, THE ISSUANCE OF SINGLE FAMILY BONDS, CREDIT FACILITIES FOR HOMEOWNERSHIP PURPOSES, AND RELATED FINANCIAL AGREEMENTS AND CONTRACTS FOR SERVICES

WHEREAS, the California Housing Finance Agency (the "Agency") has determined that there exists a need in California for providing financial assistance, directly or indirectly, to persons and families of low or moderate income to enable them to purchase or refinance moderately priced single family residences ("Residences");

WHEREAS, the Agency has determined that it is in the public interest for the Agency to assist in providing such financing by means of various programs, including whole loan and mortgage-backed securities programs (collectively, the "Program") to make loans to such persons and families, or to developers, for the acquisition, development, construction and/or permanent financing of Residences (the "Loans");

WHEREAS, pursuant to Parts 1 through 4 of Division 31 of the Health and Safety Code of the State of California (the "Act"), the Agency has the authority to issue bonds to provide sufficient funds to finance the Program, including the purchase of Loans and mortgage-backed securities, the payment of capitalized interest on the bonds, the establishment of reserves to secure the bonds, and the payment of other costs of the Agency incident to, and necessary or convenient to, the issuance of the bonds;

WHEREAS, the Agency, pursuant to the Act, has from time to time issued various series of its Single Family Mortgage Purchase Bonds (the "SFMP Bonds"), its Home Ownership and Home Improvement Revenue Bonds (the "HOHI Bonds"), its Home Mortgage Revenue Bonds (the "HMP Bonds"), its Home Ownership Mortgage Bonds (the "HOM Bonds"), its Single Family Mortgage Bonds (the "SFMor Bonds"), its Housing Program Bonds (the "HP Bonds"), and its Residential Mortgage Revenue Bonds (the "RMR Bonds"), and is authorized pursuant to the Act to issue additional SFMP Bonds, HOHI Bonds, HMP Bonds, HOM Bonds, SFMor Bonds, HP Bonds, and RMR Bonds (collectively with bonds authorized under this resolution to be issued under new indentures, the "Bonds") to provide funds to finance the Program;

WHEREAS, pursuant to the Act, the Agency has the authority to enter into credit facilities for the purpose of financing the Program, including the making of Loans and the payment of other costs of the Agency incident to, and necessary or convenient to, the issuance of the bonds;

WHEREAS, pursuant to Chapter 6 of Part 5 of Division 31 (Sections 52060 *et seq.*) of the Health and Safety Code of the State of California (the "Local Agency Assistance Act"), the Agency also has the authority to enter into agreements with cities, counties and joint powers authorities created by cities and counties (collectively, "Local Agencies"), which provide that the Agency shall sell bonds on behalf of such Local Agencies for the purpose of providing funds for home mortgages financing residences within the respective jurisdictions of such Local Agencies; and

WHEREAS, the Local Agency Assistance Act provides that although such bonds are to be bonds of the Local Agency ("Local Agency Bonds"), the proceeds of such Local Agency Bonds may be utilized in the Agency's Program, including borrowing such proceeds through the issuance of Bonds to the Local Agency;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors (the "Board") of the California Housing Finance Agency as follows:

Section 1. **Determination of Need and Amount.** The Agency is of the opinion and hereby determines that the issuance of one or more series of Bonds, in an aggregate amount not to exceed the sum of the following amounts, is necessary to provide sufficient funds for the Program:

(a) the aggregate amount of Bonds and/or other qualified mortgage bonds (including bonds of issuers other than the Agency) to be redeemed or maturing in connection with such issuance,

(b) the aggregate amount of private activity bond allocations under federal tax law heretofore or hereafter made available to the Agency (including any such allocations made available to a Local Agency in connection with the issuance of Local Agency Bonds) for such purpose, and

(c) if and to the extent interest on one or more of such series of Bonds is determined by the Executive Director to be intended not to be excludable from gross income for federal income tax purposes, $900,000,000.

Section 2. **Authorization and Timing.** The Bonds are hereby authorized to be issued in such aggregate amount at such time or times on or before the day 30 days after the date on which is held the first meeting of the Board in the year 2011 at which a quorum is present, as the Executive Director of the Agency (the "Executive Director") deems appropriate, upon consultation with the Treasurer of the State of California (the "Treasurer") as to the timing of each such issuance; provided, however, that if the bonds are sold at a time on or before the day 30 days after the date on which is held such meeting, pursuant to a forward purchase or drawdown agreement providing for the issuance of such Bonds on or before August 1, 2012 upon specified terms and conditions, such Bonds may be issued on such later date.

Section 3. **Approval of Forms of Indentures.** The Executive Director and the Secretary of the Board of Directors of the Agency (the "Secretary") are hereby authorized and directed, for and on behalf and in the name of the Agency in connection with the issuance of Bonds, to execute and acknowledge and to deliver to the Treasurer as trustee and/or, if appropriate, to a duly qualified bank or trust company selected by the Executive Director to act, with the approval of the Treasurer, as trustee or co-trustee, fiscal agent or paying agent of the Agency (collectively, the "Trustees"), one or more new indentures, trust agreements or similar documents providing for the issuance of bonds (the "New Indentures"), in one or more forms similar to one or more of the following (collectively, the "Prior Indentures"):

(a) that certain indenture pertaining to the SFMP Bonds (the "SFMP Indenture");

(b) that certain indenture pertaining to the HOHI Bonds (the "HOHI Indenture");

(c) that certain indenture pertaining to the HOM Bonds (the "HOM Indenture");

(d) those certain indentures pertaining to the HMP Bonds (the "HMP Indentures");

(e) that form of general indenture approved by Resolution No. 92-41, adopted November 12, 1992 (the "SHOP Indenture");

(f) that form of master trust indenture proposed by Fannie Mae ("Fannie Mae") in connection with their "MRB Express" program and approved by Resolution No. 93-30, adopted September 7, 1993 (the "Fannie Mae MRB Express Program Indenture");

(g) that form of general indenture designed for the Fannie Mae Index Option Program and approved by Resolution No. 94-01, adopted January 13, 1994 (the "Fannie Mae Index Option Program Indenture");

(h) those certain indentures pertaining to the SFMor Bonds (the "SFMor Indentures");

(i) the form of draw down bond indenture approved by Resolution No. 01-04, as amended by Resolution No. 01-39, adopted November 8, 2001;

(j) the form of bond indenture approved by Resolution No. 02-01, as amended by Resolution No. 02-17, adopted June 6, 2002;

(k) that certain indenture pertaining to the HP Bonds (the "HP Indenture"); and/or

(l) that certain indenture relating to the RMR Bonds.

Each such New Indenture may be executed, acknowledged and delivered with such changes therein as the officers executing the same approve upon consultation with the Agency's legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof. Changes reflected in any New Indenture may include, without limitation, provision for a supplemental pledge of Agency moneys or assets (including but not limited to, a deposit from the Supplementary Bond Security Account created under Section 51368 of the Act) and provision for the Agency's general obligation to additionally secure the Bonds if appropriate in furtherance of the objectives of the Program.

Section 4. **Approval of Forms of Series and Supplemental Indentures.** The Executive Director and the Secretary are hereby authorized and directed, for and on behalf and in the name of the Agency, to execute and acknowledge and to deliver with respect to each series of Bonds, if and to the extent appropriate, series and/or supplemental indentures (each a "Supplemental Indenture") under either one of the Prior Indentures or a New Indenture and in substantially the form of the respective supplemental indentures previously executed and delivered or approved, each with such changes therein as the officers executing the same approve upon consultation with the Agency's legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof. Changes reflected in any Supplemental Indenture may include, without limitation, provision for a supplemental pledge of Agency moneys or assets (including but not limited to, a deposit from the Supplementary Bond Security Account created under Section 51368 of the Act) and provision for the Agency's general obligation to additionally secure the Bonds if appropriate in furtherance of the objectives of the Program.

The Executive Director is hereby expressly authorized and directed, for and on behalf and in the name of the Agency, to determine in furtherance of the objectives of the Program those matters required to be determined under the applicable Prior Indenture or any New Indenture, as appropriate, in connection with the issuance of each such series, including, without limitation, any reserve account requirement or requirements for such series.

Section 5. **Approval of Forms and Terms of Bonds.** The Bonds shall be in such denominations, have such registration provisions, be executed in such manner, be payable in such medium of payment at such place or places within or without California, be subject to such terms of redemption (including from such sinking fund installments as may be provided for) and contain such terms and conditions as each Supplemental Indenture as finally approved shall provide. The Bonds shall have the maturity or maturities and shall bear interest at the fixed, adjustable or variable rate or rates deemed appropriate by the Executive Director in furtherance of the objectives of the Program; provided, however, that no Bond shall have a term in excess of fifty years or bear interest at a stated rate in excess of fifteen percent (15%) per annum or in the case of variable rate bonds, a maximum floating interest rate of twenty-five percent (25%) per annum. Any of the Bonds and the Supplemental Indenture(s) may contain such provisions as may be necessary to accommodate an option to put such Bonds prior to maturity for purchase by or on behalf of the Agency or a person other than the Agency, to accommodate the requirements of any provider of bond insurance or other credit enhancement or liquidity support or to accommodate the requirements of purchasers of Dutch auction bonds or indexed floaters.

Section 6. **Authorization of Disclosure.** The Executive Director is hereby authorized to circulate one or more Preliminary Official Statements relating to the Bonds and, after the sale of the Bonds, to execute and circulate one or more Official Statements relating to the Bonds, and the circulation of such Preliminary Official Statements and such Official Statements to prospective and actual purchasers of the Bonds is hereby approved. The Executive Director is further authorized to hold information meetings concerning the Bonds and to distribute other information and material relating to the Bonds. Circulation of Preliminary Official Statements and Official Statements and distribution of information and material as provided above in this Section may be accomplished through electronic means or by any other means approved therefor by the Executive Director, such approval to be conclusively evidenced by such circulation or distribution.

Section 7. **Authorization of Sale of Bonds.** The Bonds are hereby authorized to be sold at negotiated or competitive sale or sales. The Executive Director is hereby authorized and directed, for and in the name and on behalf of the Agency, to execute and deliver one or more purchase contracts (including one or more forward purchase agreements) relating to the Bonds, by and among the Agency, the Treasurer and such underwriters or other purchasers (including, but not limited to, Fannie Mae) as the Executive Director may select (the "Purchasers"), in the form or forms approved by the Executive Director upon consultation with the Agency's legal counsel, such approval to be evidenced conclusively by the execution and delivery of said purchase contract by the Executive Director.

The Treasurer is hereby authorized and requested, without further action of the Board and unless instructed otherwise by the Board, to sell each series of Bonds at the time and place and pursuant to the terms and conditions set forth in each such purchase contract as finally executed. The Treasurer is hereby further authorized and requested to deposit the proceeds of any good faith deposit to be received by the Treasurer under the terms of a purchase contract in a special trust account for the benefit of the Agency, and the amount of said deposit shall be retained by the Agency, applied at the time of delivery of the applicable Bonds as part of the purchase price thereof, or returned to the Purchasers, as provided in such purchase contract.

Section 8. **Authorization of Execution of Bonds.** The Executive Director is hereby authorized and directed to execute, and the Secretary is hereby authorized to attest, for and on behalf and in the name of the Agency and under its seal, the Bonds, in an aggregate amount not to exceed the amount authorized hereby, in accordance with the Prior Indenture(s), the Supplemental Indenture(s) or the New Indenture(s) and in one or more of the forms set forth in the Prior Indenture(s), the Supplemental Indenture(s) or the New Indenture(s), as appropriate.

Section 9. **Authorization of Delivery of Bonds.** The Bonds, when so executed, shall be delivered to the Trustees to be authenticated by, or caused to be authenticated by, the Trustees. The Trustees are hereby requested and directed to authenticate, or cause to be authenticated, the Bonds by executing the certificate of authentication and registration appearing thereon, and to deliver the Bonds when duly executed and authenticated to the Purchasers in accordance with written instructions executed on behalf of the Agency by the Executive Director, which instructions said officer is hereby authorized and directed, for and on behalf and in the name of the Agency, to execute and deliver. Such instructions shall provide for the delivery of the Bonds to the Purchasers upon payment of the purchase price or prices thereof.

Section 10. **Authorization of Related Financial Agreements.** The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, any and all agreements and documents designed (i) to reduce or hedge the amount or duration of any payment, interest rate, spread or similar risk, (ii) to result in a lower cost of borrowing when used in combination with the issuance or carrying of bonds or investments, or (iii) to enhance the relationship between risk and return with respect to the Program or any portion thereof. To the extent authorized by law, including Government Code Section 5922, such agreements or other documents may include (a) interest rate swap agreements; (b) forward payment conversion agreements; (c) futures or other contracts providing for payments based on levels of, or changes in, interest rates or other indices; (d) contracts to exchange cash flows for a series of payments; (e) contracts, including, without limitation, interest rate floors or caps, options, puts or calls to hedge payment, interest rate, spread or similar exposure; or (f) contracts to obtain guarantees, including guarantees of mortgage-backed securities or their underlying loans; and in each such case may be entered into in anticipation of the issuance of bonds at such times as may be determined by such officers. Such agreements and other documents are authorized to be entered into with parties selected by the Executive Director, after giving due consideration for the creditworthiness of the counterparties, where applicable, or any other criteria in furtherance of the objectives of the Program.

Section 11. **Authorization of Program Documents.** The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, all documents they deem necessary or appropriate in connection with the Program, including, but not limited to, one or more mortgage purchase and servicing agreements (including mortgage-backed security pooling agreements) and one or more loan servicing agreements with such lender or lenders or such servicer or servicers as the Executive Director may select in accordance with the purposes of the Program, and any such selection of a lender or lenders or a servicer or servicers is to be deemed approved by this Board as if it had been made by this Board. The ~~mortgages to be purchased may be fixed rate, step rate, adjustable rate, graduated payment, deferred payment or any combination of the foregoing, may~~proceeds of new bonds to be issued under the authority of this Resolution (other than refunding bonds) shall be used to purchase mortgage-backed securities guaranteed by Fannie Mae, Freddie Mac, Ginnie Mae, or other appropriate guarantor and shall not be used to purchase whole loans. The mortgage-backed securities to be purchased may contain loans that have terms of 40 years or less ~~and may be insured by such mortgage insurers as are selected by the Executive Director in furtherance of the objectives of the Program~~.

The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, one or more mortgage sale agreements with such purchasers as the Executive Director may select in accordance with the objectives of the Program, including but not limited to such agreements with Fannie Mae, Freddie Mac or other government-sponsored enterprise or similar entity for such sales in bulk or otherwise. Any such sale of Loans may be on either a current or a forward purchase basis.

The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, contracts to conduct foreclosures of mortgages owned or serviced by the Agency with such attorneys or foreclosure companies as the Executive Director may select in accordance with the objectives of the Program.

The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, contracts for the sale of foreclosed properties with such purchasers as the Executive Director may select in accordance with the objectives of the Program. Any such sale of foreclosed properties may be on either an all cash basis or may include financing by the Agency. The Executive Director and the other officers of the Agency are also authorized to enter into any other agreements, including but not limited to real estate brokerage agreements and construction contracts necessary or convenient for the rehabilitation, listing and sale of such foreclosed properties.

The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, (i) contracts or agreements for the purchase or sale of mortgage-backed securities; (ii) servicing agreements, including master servicing agreements, in connection with the operation of a program of mortgage-backed securities; (iii) agreements with government-sponsored enterprises, or other secondary market issuers or guarantors of mortgage-backed securities; and (iv) such other program documents as are necessary or appropriate for the operation of a program of mortgage-backed securities.

Section 12. **Authorization of Credit Facilities.** The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, one or more short-term or long-term credit facilities for the purposes of (i) financing the purchase of Loans and/or mortgage-backed securities on an interim basis, prior to the financing thereof with Bonds, whether issued or to be issued; (ii) financing expenditures of the Agency incident to, and necessary or convenient to, the issuance of Bonds, including, but not limited to, Agency expenditures to pay costs of issuance, capitalized interest, redemption price of prior bonds of the Agency, costs relating to credit enhancement or liquidity support, costs relating to investment products, or net payments and expenses relating to interest rate hedges and other financial products; and (iii) enabling the Agency to restructure existing debt and related purposes, including, but not limited to, the redemption of existing bonds and the acquisition of bonds that have been put to liquidity providers as bank bonds. Any such credit facility may be from any appropriate source, including, but not limited to, the Pooled Money Investment Account pursuant to Government Code Section 16312; provided, however, that the aggregate outstanding principal amount of credit facilities authorized under this resolution or Resolution No. 10-02 (the multifamily financing resolution adopted at the same meeting) or Resolution No. 06-06 (the Bay Area Housing Plan resolution), as amended from time to time, may not at any time exceed $1,000,000,000 (separate and apart from the amount of Bonds authorized by Section 1 of this resolution).

The Executive Director and the other officers of the Agency are hereby authorized to use available Agency moneys (other than and in addition to the proceeds of bonds) (i) to make or purchase Loans and/or mortgage-backed securities to be financed by bonds (including bonds authorized by prior resolutions of this Board) in anticipation of draws on a credit facility, the issuance of Bonds or the availability of Bond proceeds for such purposes and (ii) to purchase Agency bonds to enable the Agency to restructure its debt and for related purposes as authorized under Resolution No. 08-42 and any future Board resolutions thereto amendatory or supplemental.

Section 13. **Local Agency Cooperation.** (a) The Executive Director is hereby authorized and directed, for and in the name and on behalf of the Agency, to execute and deliver one or more agreements with one or more Local Agencies providing that the Agency shall sell Local Agency Bonds for the purpose of providing funds for the Program for the purchase of Loans financing Residences (or mortgage-backed securities underlain by loans financing such Residences) within the jurisdiction of the applicable Local Agency. Each such agreement shall contain the provisions required by Section 52062 of the Local Agency Assistance Act and shall provide that the method by which the Agency shall utilize the proceeds of Local Agency Bonds in the Agency's Program shall be for the Agency to borrow such proceeds by the issuance of Bonds to the Local Agency. The Bonds shall be in the form and shall be issued under the terms and conditions authorized by this resolution, applied as appropriate under the circumstances. The Bonds shall serve as the primary source of payment of and as security for the Local Agency Bonds.

The Local Agency Bonds are hereby authorized to be sold at such time or times, on or before the day 30 days after the date on which is held the first meeting of the Board in the year 2011 at which a quorum is present, as the Executive Director deems appropriate, upon consultation with the Treasurer as to the timing of each such sale.

(b) The Executive Director is hereby authorized to circulate one or more Preliminary Official Statements relating to the Local Agency Bonds and, after the sale of the Local Agency Bonds, to execute and circulate one or more Official Statements relating to the Local Agency Bonds, and the circulation of such Preliminary Official Statements and such Official Statements to prospective and actual purchasers of the Local Agency Bonds is hereby approved. The Executive Director is further authorized to hold information meetings concerning the Local Agency Bonds and to distribute other information and material relating to the Local Agency Bonds.

(c) The Local Agency Bonds are hereby authorized to be sold at negotiated or competitive sale or sales. The Executive Director is hereby authorized and directed, for and in the name and on behalf of the Agency and the Local Agency, to execute and deliver one or more purchase contracts (including one or more forward purchase agreements) relating to the Local Agency Bonds, by and among the Agency, the Treasurer, the Local Agency (if appropriate) and such underwriters or other purchasers (including, but not limited to, Fannie Mae) as the Executive Director may select (the "Local Agency Bond Purchasers"), in the form or forms approved by the Executive Director upon consultation with the Agency's legal counsel, such approval to be evidenced conclusively by the execution and delivery of said purchase contract by the Executive Director.

(d) The Treasurer is hereby authorized and requested, without further action of the Board and unless instructed otherwise by the Board, to sell each series of Local Agency Bonds at the time and place and pursuant to the terms and conditions set forth in each such purchase contract as finally executed. The Treasurer is hereby further authorized and requested to deposit the proceeds of any good faith deposit to be received by the Treasurer under the terms of a purchase contract in a special trust account for the benefit of the Agency and the Local Agency, and the amount of said deposit shall be applied at the time of delivery of the applicable Local Agency Bonds, as the case may be, as part of the purchase price thereof or returned to the Local Agency Bond Purchasers as provided in such purchase contract.

Section 14. **Ratification of Prior Actions.** All actions previously taken by the Agency relating to the implementation of the Program, the issuance of the Bonds, the issuance of any prior bonds, the execution and delivery of related financial agreements and related program agreements and the implementation of any credit facilities as described above, including, but not limited to, such actions as the distribution of the Agency's Lender Program Manual, Mortgage Purchase and Servicing Agreement, Servicing Agreement, Developer Agreement, Servicer's Guide, Program Bulletins and applications to originate and service loans, and the sale of any foreclosed property, are hereby ratified.

Section 15. **Authorization of Related Actions and Agreements.** The Treasurer, the Executive Director and the officers of the Agency, or the duly authorized deputies thereof, are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all agreements and documents which they deem necessary or advisable in order to consummate the issuance, sale, delivery, remarketing, conversion and administration of Bonds and otherwise to effectuate the purposes of this resolution, including declaring the official intent of the Agency for purposes of U.S. Treasury Regulations Section 1.150-2, and including executing and delivering any amendment or supplement to any agreement or document relating to Bonds in any manner that would be authorized under this resolution if such agreement or document related to Bonds is authorized by this resolution. Such agreements may include, but are not limited to, remarketing agreements, tender agreements or similar agreements regarding any put option for the Bonds, broker-dealer agreements, market agent agreements, auction agent agreements or other agreements necessary or desirable in connection with the issuance of Bonds in, or the conversion of Bonds to, an auction rate mode or an indexed rate mode, agreements for the investment of moneys relating to the Bonds, reimbursement agreements relating to any credit enhancement or liquidity support or put option provided for the Bonds, continuing disclosure agreements and agreements for necessary services provided in the course of the issuance of the bonds, including but not limited to, agreements with bond underwriters and placement agents, bond trustees, bond counsel and financial advisors and contracts for consulting services or information services relating to the financial management of the Agency, including advisors or consultants on interest rate swaps, cash flow management, and similar matters, and contracts for financial printing and similar services. The Agency's reimbursement obligation under any such reimbursement agreement may be a special, limited obligation or a general obligation and may, subject to the rights of the Bondholders, be secured by a pledge of the same revenues and assets that may be pledged to secure Bonds or by a pledge of other revenues and assets.

This resolution shall constitute full, separate, complete and additional authority for the execution and delivery of all agreements and instruments described in this resolution, without regard to any limitation in the Agency's regulations and without regard to any other resolution of the Board that does not expressly amend and limit this resolution.

Section 16. **Additional Delegation.** All actions by the Executive Director approved or authorized by this resolution may be taken by the Chief Deputy Director of the Agency, the Director of Financing of the Agency, the Comptroller of the Agency or any other person specifically authorized in writing by the Executive Director, and except to the extent otherwise taken by another person shall be taken by the Chief Deputy Director during any period in which the office of the Executive Director is vacant.

SECRETARY'S CERTIFICATE

I, Thomas C. Hughes, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of Resolution No. 10-01 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 21st day of January, 2010, of which meeting all said directors had due notice; and that at said meeting said Resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this 21st day of January, 2010.

[SEAL]

____
Thomas C. Hughes
Secretary of the Board of Directors of the
California Housing Finance Agency

SECRETARY'S CERTIFICATE

I, Thomas C. Hughes, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of Resolution No. 10-01 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 21st day of January, 2010, of which meeting all said directors had due notice; and that at said meeting said Resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

I further certify that I have carefully compared the foregoing copy with the original minutes of said meeting on file and of record in my office; that said copy is a full, true, and correct copy of the original Resolution adopted at said meeting and entered in said minutes; and that said Resolution has not been amended, modified or rescinded in any manner since the date of its adoption, and the same is now in full force and effect.

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this ___ day of ________________, ____.

[SEAL]

____
Thomas C. Hughes
Secretary of the Board of Directors of the
California Housing Finance Agency

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Document comparison by Workshare Professional on Friday, February 19, 2010 11:51:33 AM

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Document 2 ID	file://C:/Documents and Settings/tomh/Desktop/2010 S F Bond Resolution (2).DOC
Description	2010 S F Bond Resolution (2)
Rendering set	standard

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State of California

M E M O R A N D U M

To Board of Directors **Date:** February 19, 2010

From: L. Steven Spears, Acting Executive Director
CALIFORNIA HOUSING FINANCE AGENCY

Subject: ITEM 7 – "Value Add" Discussion

At the January 2010 Board meeting, Board members expressed the desire to engage in a discussion of the value added in the marketplace by CalHFA products and services. This discussion is timely as the Agency prepares to resume lending as the result of bond issuance capability provided in the New Issue Bond Program in the Federal Assistance Plan for State Housing Finance Agencies. To facilitate an informed discussion, I have attached a PowerPoint presentation that discusses the Agency's statutorily defined structure and mission and the business models the Agency has used successfully in the past to carry out its mission. I hope this presentation will bring all of the members to a common understanding of the basic elements of CalHFA's mission.

Specific staff recommendations and term sheets, still being developed by staff, will be presented at the Board meeting for single family homeownership loan products and multifamily lending products.

Please let me know if you have questions.

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The Structure and Historic Business Model of CalHFA

A. Structure of Agency

- CalHFA was created in 1975 as the State's affordable housing mortgage bank

- In the initial version of CalHFA's enabling legislation, CalHFA was intended to be a statutorily chartered corporation, largely independent of the State. That independence was intended to permit the Agency to operate as a business, while insulating the State from the Agency's risks and liabilities.

- In the enacted version of the legislation, CalHFA became a state agency, but retained almost all of the other key structural provisions from the original legislation. The Agency maintained its financial independence from the State, as well as significant operating independence.

- The Agency is governed by a Board of Directors, consisting of 11 voting and three non-voting members. Of the voting members, 6 are appointed by the Governor, three are ex-officio members, and two are appointed by the legislature.

- The statutory role of the Board is to approve the issuance of securities and major contractual obligations. The Board also enacts the Agency's annual operating budget and general business plan.

- Day to day operational authority statutorily rests with the Executive Director, subject to the supervision of the Board.

- Historically, the primary functions of the Board have been (i) to approve multi-family loans; with the Board acting as a high level loan committee; (ii) enact financing resolutions at the beginning of each year permitting the issuance of bonds and related matters; and (ii) to annually adopt the Agency's operating budget and business plan.

- Although a part of the BTH Agency, CalHFA has a unique statutory relationship with BTH which provides the BTH Secretary with a Board position, but recognizes that CalHFA is relatively free from regulation by other state agencies.

- The Agency's independence is designed to achieve several objectives that are mutually beneficial to the State and the Agency:
    - The Agency can operate as a business, and can make the business decisions that are needed, while being insulated from direct political authority.
    - Consistent with that operational independence, the State is by statute not liable for any of the Agency's bond obligations or policies of mortgage insurance.
    - By statute, the expenditures of the Agency are not subject to the supervision or approval of any other officer or division of state government. All of the Agency's funds are continuously appropriated to the Agency. CalHFA is thus not a part of the State budget process. CalHFA is not subject to traditional state contracting laws, and is exempt from many other state procedures.

- The balancing of operational and financial independence against the State's insulation from liability is manifested in a key statute. That statute contains a pledge by the state to CalHFA's bond investors that the State will not take any actions that would limit or impair the Agency's ability to meet its obligations to those investors.

- The State’s pledge to investors is both statutory and contractual. Thus, so long as that operational and financial independence is preserved, the pledge will not be breached. The State will have no liability for CalHFA’s bond and insurance risks and obligations.

- It is important to recognize that mortgage banking is an inherently risky business. Those risks can, in normal markets, can be managed and hedged, but some risk will always remain. In very bad markets, such as we are experiencing now, those risks can be very large. The insulation of the State from these risks, gained in part by granting the Agency operational independence, is a key principle in CalHFA’s structure.

B. Historic Business Model

- The historic business model of CalHFA has been to operate a mortgage banking and mortgage insurance business, but one without shareholders. In the place of an obligation to shareholders, CalHFA has a public purpose and mission: to make single family and multi-family housing available to persons and families of low and moderate income.
- The Agency's mission philosophy has been to be active in the loan markets at all times and through all business cycles to meet the following long term objectives:
  - To provide alternative loan products benefitting low and moderate income persons
  - To keep the private marketplace "honest" by offering such non-predatory alternatives
  - Recognizing that the segments of the private market periodically enter and withdraw from the affordable housing market, to insure that the Agency will be there when those markets are underserved
- CalHFA is self-supporting. It does not receive taxpayer money or Legislative appropriations. It is required to act as a business and to generate its own revenue. By statute, the Agency funds itself on the spread between its costs of funds, and the rates on loans that it makes.

- The excess revenues within bond indentures may be withdrawn, subject to a variety of financial and legal tests. Those unrestricted earnings in excess of bond payments due investors are referred to as HAT (Housing Assistance Trust). Those earnings of the Agency are used in the following ways:
    - Payment of operating expenses and general obligations of the Agency
    - Creation of prudent financial reserves
    - Funding of high public purpose programs that are not candidates for bond funding, such as:
        - Special needs lending which requires deep subsidies
        - Loans to localities to support affordable housing (HELP)
        - Helping existing troubled multi-family rental projects through asset management lending
        - Down payment assistance to first time homebuyers

C. Programs and Effect of Tax Law

- The Agency has had five lines of business:
  - –Single family lending (bond funded)
  - –Multi-family lending (bond funded)
  - –Special Lending (HAT funded)
  - –Mortgage insurance (premium funded)
  - –Contract administered programs

- The structure of the Agency's mainline programs, single family and multi family lending, are largely dictated by provisions of federal tax and bond law. The business model of HFAs depends on the ability to issue tax exempt housing bonds.

- Tax exempt housing bonds used by HFAs are not government bonds; rather, they are "private activity bonds" because the homes or apartments which are financed by these bonds are owned by private persons.

- The federal government rations private activity bonds by allocating each state "volume cap", which is the state's limit for private activity bond issuance. Private activity bonds finance a wide variety of activities, including student loans, pollution control projects, and housing.

- Federal volume cap is allocated in California by the California Debt Limit Allocation Committee. Issuers must compete for volume cap. CalHFA competes with a variety of statewide and local issuers. The manner in which volume cap is awarded determines the amount of tax exempt bonds that the Agency can issue, and thus the loans that it is able to make.

- CDLAC allocates single family allocation and multi family allocation separately, and an allocation for one can not be used for the other. Single family allocation has been historically been made in a gross dollar amount for the year, while multi family has been historically awarded on a project by project basis.

- The effect is that a reduction in single family authority and lending does not increase the Agency's funds available for multi family, and vice versa.

- The Agency has historically used various strategies to leverage the limited volume cap available. For single family lending, CalHFA has issued variable rate debt, which results in a lower cost of funds, and then has blended in taxable debt, which is not subject to volume cap limitations. This results in a higher amount to lend at a blended loan rate.

- In multi-family lending, the Agency has issued 501 (c) (3) bonds when those are legally available. Those bonds are also not subject to volume cap.

- Federal tax law contains many complex rules which must be followed. One such rule limits the amount of “spread”-the loan yield over bond yield-that the Agency is permitted to make. For single family bonds, that spread is 1.125%. For multi-family bonds, that spread is 1.5%.

- All of the Agency’s costs of the bonds, the bond financed programs, and other operations must be paid from within that spread. If the Agency earns more than the permitted spread, it may be required to rebate those monies to the IRS. The concept of permitted spread thus becomes vital to the design and economies of Agency programs. The Agency must operate on these razor thin margins.

- The effect of these arbitrage rules are that costs incurred by the Agency can often not be passed on to borrowers as they would in the private market. For example, if the Agency pays a fee to a lender to originate a loan, the amount of that fee effectively reduces the spread to the Agency. Incurring too many costs can reduce the yield to the Agency to a point where the Agency can not pay expenses, or even makes the loan unprofitable.

- These concepts are critical in designing loan competitive products, particularly in high cost states like California.

- California has historically had a large gap between average income and housing costs. Unlike banks, HFAs do not have a deposit base to use for lending. The key historic challenges for the Agency have thus been raising funds at a cost of capital low enough to provide competitive or below market interest rates, and structuring a product so that its costs can be recovered within spread and still provide earnings to the Agency sufficient to fund operations, reserves, and ideally, special lending programs.

- Some of the key historical decision points in creating loan programs have been:

  - For single family lending, the choice between holding whole loans or securitizing those loans into mortgage backed securities.
  - For multi family lending, the choice between being a portfolio lender, or a conduit lender
  - For both single and multi family lending, the choice between variable rate bonds, or fixed rate bonds.

- Each choice has had advantages and disadvantages. In some cases, one choice precludes creating a loan product at a rate that will be competitive.

- Whole Loans vs. MBS: Whole loans are loans held on the Agency's balance sheet. The Agency bears the credit and real estate risks. Those risks in a securitized MBS structure are largely borne by the securitizer, Fannie Mae, Freddie Mac, or Ginnie Mae. However, the trade-off is that the securitizers have charged very high "G fees", which are the premiums for the transfer of that risk. That fee was in many cases prohibitively expensive to the Agency, and had to be paid within spread.

- In 2005, tax law changed to permit mortgage insurance premiums, including G fees, to be recovered outside allowable spread.

- Fixed rate vs. variable rate bonds: For the last decade, CalHFA began to experience difficulty in raising capital at tax exempt fixed rates which were sufficiently low to permit a competitive mortgage product. Historically low interest rates also compressed the spread between taxable and tax exempt rates, reducing the competitiveness of tax exempt products. The same issues were experienced by other HFAs nationally. Some HFAs elected to withdraw from the lending market. Others, such as CalHFA, elected to stay in the markets by issuing tax exempt variable rate bonds, which permitted a lower cost of funds.

- Because all of the Agency's single family loans to borrowers are made at a fixed rate, variable rate bond debt exposes the Agency to interest rate risk- the risk that the rate paid by the Agency to bond investors can exceed the rates paid to the Agency by borrowers. Thus, that risk must be hedged through interest rate swap contracts. The use of these swaps creates a "synthetic" fixed cost of funds.

- Portfolio lender vs. conduit lender: Similar to single family lending, the Agency has always held multi-family whole loans in its portfolio. Some affordable housing lenders, typically local agencies or JPAs, are conduit lenders. In a conduit transaction, the issuer essentially “lends” its tax exemption to a deal; a bank or other lender is the true lender and bears the real estate and credit risks.

- A whole loan held in portfolio provides an annuity to the Agency over the life of the loan, thus permitting the Agency to implement its basic business model of supporting infrastructure, developing capital reserves, and creating funds for special lending.

- A conduit loan generally provides only a small one time fee to the Agency. That would result in a fundamentally different business model in which the Agency would not have been able to create significant reserves or equity, and not create funds for special lending. Conduit lenders typically have little or no equity, and do not have funds for high public purpose, subsidized special lending.

D. General and Limited Obligations

- The Agency has both general and limited obligations.
- Loans funded by bonds are held within a trust indenture for the benefit of bondholders. The indenture will typically hold undisbursed bond proceeds, loans made with bond proceeds, capital reserves, prepayments, REO, and other assets.
- The indenture itself may be a general obligation of the Agency, or a limited obligation.
- In a limited obligation revenue bond indenture, bondholders are looking solely to the credit worthiness of the indenture; i.e., the assets (collateral) held within the indenture, for repayment. The Agency is not liable for the payment of the bonds. The bond yield is priced to reflect that credit risk as reflected by the separate credit rating of the indenture.
- The Agency biggest single family indenture, HMRB, is a limited obligation indenture.
- In a general obligation indenture, the Agency has provided a credit enhancement to the rating of the bonds by essentially guaranteeing the payments to bondholders, in addition to the assets held within the indenture.

- The bondholders in such a credit enhanced obligation are looking to the creditworthiness of the Agency in evaluating and pricing that risk. Thus, the Agency has an issuer credit rating which reflects the creditworthiness of the Agency’s general obligations.
- The Agency’s Multi Family III indenture is an example of an indenture that has been credit enhanced by a pledge of the Agency’s general obligation.
- The California Housing Loan Insurance Fund is an example of a limited obligation. By law, the Agency’s mortgage insurance obligations are payable solely from the assets held within the insurance fund.
- The Agency has a wide variety of other general obligations.
- Even though the swaps may directly benefit a limited obligation indenture, all Agency swap contracts are general obligations of CalHFA. Swap settlements payments made by the Agency can be reimbursed by the appropriate indenture if the financial and legal tests for withdrawal of excess funds can be met.
- The Agency’s line of credit from Bank of America is a general obligation.
- All of the Agency’s normal operating expenses, such as salaries and overhead, are general obligations.

- The Agency may, in some cases, use general funds to support limited obligations. However, the Agency must carefully balance its support of limited obligations against its general obligation commitments.

E. Operating Budget

- The Agency's operating budget is a very small component of its overall annual expenses. The operating budget has historically been well under 10% of overall Agency expenses. The operating budget is approved by the Board of Directors each year, typically in June for the fiscal year.
- The majority of the Agency's expenses are outside the operating budget. They consist of debt service on bonds, swap settlement payments, costs of issuance in connection with bond transactions, and similar obligations associated with raising capital. The issuance of bonds and the payment of these expenditures is authorized by the Board in annual financing resolutions, typically in January, for the calendar year.
- The operating budget has historically been funded with administrative or commitment fees and withdrawals of excess revenues or other funds from bond indentures. The operating budget has been approved in May, before the commencement of a new fiscal year in July.
- Since the indentures constantly lose loan assets as loans mature, are prepaid, or default, the Agency must constantly operate profitable loan programs to generate sufficient capital.

State of California

M E M O R A N D U M

To Board of Directors **Date:** February 19, 2010

From: L. Steven Spears, Acting Executive Director
CALIFORNIA HOUSING FINANCE AGENCY

Subject: ITEM 8 – LEASE FOR SACRAMENTO OFFICE RELOCATION

Since our last Board Meeting of January 21, 2010, we have progressed with the Agency Headquarter negotiations. The Agency has assessed our options from a financial and non-financial stand point. The Agency is contemplating three options:

- 2020 W. El Camino (signed non-binding Letter of Intent)
- 500 Capitol Mall
- Renew Meridian and Senator

To provide a meaningful analysis, staff put a closing date of February 22, 2010 for final changes to current offer. If any changes are submitted, an update will be provided at the February 25th Board meeting.

Historical Background:

The Agency started the search for our headquarters in April 2006. Staff considered several options: building our own building; purchasing an existing building; leasing a facility; or equity participation. Our goals were to consolidate into approximately 90,000 to 120,000 rsf within Downtown or the City of Sacramento per the Agency Charter.

In 2006 our search started in all areas but in particular downtown land parcels to purchase and build. Due to the high cost of developing a downtown site with underground parking, we changed direction to a “Built-to Suit” suburban building on Highway 50 at 65th street. The 65th Street option never materialized. In August of 2007 the decision was made to focus the search in Downtown Sacramento, which included all possible options; new developments and/or existing buildings. Due to height and zoning restrictions on R Street Corridor, particular focus was given to sites in and around the Capitol. As we reached 2008, our focus continued to be on existing and planned buildings that could meet the 2009-2010 move timeframe. Options included: 621 Capitol Mall, 555 Capitol Mall, 2020 L Street, 831 L and 1700 K. A lease proposal was submitted to 1700 K Street which didn’t materialize due to complications with a ground lease on the property. In early 2009, 555 Capitol Mall, 2020 L Street, 700 I Street were explored as possible options with 555 Capitol Mall as the most prominent offer. However, 555 negotiations failed to materialize which left the remaining options.

<u>Current Space Situation:</u>

Because of the current economic situation, we had to update our objectives to meet the changing workload. Staff also took into consideration: we have 46 vacancies out of 311 authorized permanent positions; we moved Loan Servicing to West Sacramento; and looking into possibly moving other parts of the Agency who work closely with Loan Servicing to West Sacramento. This results in reducing our space needs to approximately 65,000 to 70,000 sf.

- **The Senator Hotel**:

Agency's lease agreement expires: 8/31/2010. Agency leases approximately 51,723 square feet (sf) of office space. The Agency is located within seven floors:

Basement: (Business Services, Loan Servicing (vacant); IT Training Room, Conference Rooms, Storage) 9,463 sf;
1st Floor (Loan Servicing (vacant) 2,810 sf;
2ndFloor (Information Technology) 8,110 sf;
3rd Floor (Fiscal Services) 9,669 sf;
4th Floor (Information Technology Consultants) 3,588;
7th Floor (Homeownership and Mortgage Insurance) 14,702 sf; and
9th Floor (Homeownership and Loan Servicing (vacant) 3,511.

Current rent is at approximately $2.77 sf for $1,672,771 per year. We have 176 permanent and 26 temporary positions located at the Senator Hotel.

- **The Meridian**:

Agency's lease agreement expires: 10/12/2010. Agency leases approximately 28,199 sf of office space. Current rate:

5th Floor (Executive, Human Resources, Legal, Financing) 19,706 sf; and
6th Floor (Multifamily, Asset Management and Marketing) 8,493 sf

Current rent is at approximately $3.24 sf for $1,097,318 per year. There are 88 permanent and 6 temporary positions located at the Meridian.

Total lease space for The Senator and The Meridian is approximately 80,052 sf.

- **1040 Riverside Parkway**:

Agency's lease agreement commences on February 1, 2010 and ending on May 31, 2015. This building includes 4 months of free rent, therefore, rent commences June 1, 2010. The Agency lease is 16,533 sf. Current base rent is $.83 sf. (triple net) or approximately $1.40 full service. First year rent is $185,170. We have 24 permanent and 16 temporary positions located at 1040. Loan Servicing is fully functional and looking to expand hours. We are exploring the option to transfer staff to West Sacramento that work closely with the Loan Servicing and consolidating storage space.

- **Culver City**

The Culver City Lease is not up till August 31, 2013. Culver City has 23 permanent and no temporary help.

Assessment:

The three options provide the Agency with a decision to make. Provided are two comparison charts. One provides space/fiscal comparisons and the other a rating site criteria comparison. Provided is an overview of the charts:

Space/Fiscal Comparison Chart (attachment):
The Space/Fiscal Comparison provides information based on the latest proposals that were submitted by our current Landlords and other buildings. We tried to capture information needed for comparison that most impacted the functioning of our Agency. The facility will need to accommodate our new phone system, IT upgrades, and moving deadlines.

- Size - The size needed differs with the Senator/Meridian verses 2020 W. El Camino and 500 Capitol Mall. This is because 2020 and 500 have open plates for each floor and Senator/Meridian are based on open offices. The number of floors differs based on the square footage of the floor plates. The Agency would like open floor plates with the least amount of floors to consolidate staff, work processes and business equipment.
- Lease Term – All are long term, ten years or more.
- Base Lease Rate: The Senator has the best rate at $2.35 while the others are comparable. However, the Senator’s configuration will require more space to accommodate the same number of staff and the estimated timeframe to make these changes is significant; 2 to 2.5 years which includes 3 to 4 staged moves.
- Estimated Tenant Improvements - With a move to a new location, tenant improvements are projected to be completed before September 1, 2010. This projection assumes a Lease is signed before the end of February 2010. However for the Senator/Meridian, the move will take place in 3 to 4 phases (2.5 years) and will not provide best-use consolidation.
- Rental Abatement – All are providing free rent.
- Relocation & Moving Expenses – Because of the phased move and the cost to upgrade cabling, it will cost more at the Senator. Not included in all moving expense is projected IT cost. If we stay at the Senator/Meridian, we need to move the IT server room out of the basement. It will also cost to reconfigure the new building to our IT space needs. IT is in the process of developing estimates.
- Moving Allowance - 2020 W. El Camino will provide $10 per rentable sf and 500 Capitol will provide $2 per rentable sf. Senator/Meridian does not provide for any moving allowance.
- Total Estimated Occupancy Costs – To compare equally, we used 12.5 year as a comparison. 500 Capitol is the least expensive with 2020 W. El Camino a close second. Senator/Meridian came in the highest.
- Total Estimated Savings – Based on the highest Total Occupancy Costs, 500 Capitol came on top with $3,943,926 and 2020 W. El Camino a close second at $3,780,677.
- Delivery Date: All stated that they could meet the Agency’s deadlines. This assumes a Lease is signed before the end of February 2010.

Overall financial assessment: 500 Capitol came out on top with 2020 W. El Camino a close second.

Site Selection Criteria Rating Chart (attachment):
The Site Selection Criteria Rating Sheet provides a methodology for a non-financial rating. This chart compares the three options and rates the Agency's highest priorities.

- Consolidation (top priority) – The highest rating goes to 2020 W. El Camino as we will be located on 2.5 consecutive floors. The next is 500 Capitol on 4 floors, but not consecutive floors. The last is Senator/Meridian which keeps us in two building, different floors and splits up Divisions.
- Building Efficiencies (top priority) – The highest rating goes to 2020 W. El Camino which provides an open floor plate to maximize workflow and business efficiencies. The next is 500 Capitol which provides an open floor plate but non consecutive floors. The last is Senator/Meridian which we are in two buildings, small floor plates, and is non efficient.
- Building Systems & Amenities (top priority) – This is a tie between 2020 W. El Camino and 500 Capitol. Both are new Class A buildings. 2020 W. El Camino is a LEED Gold, back up generator, free parking, and 16% load factor. 500 Capitol has parking garage, up scale tenants, downtown, and a 12-16% load factor, which depends on the final space plan. The Senator is a historic building which used to be a hotel. The floor plate is broken into boxes which makes it hard for our Agency to consolidate with an 18% load factor. The Meridian is a Class A building, does not have room to consolidate, and has a 15% load factor.
- Availability/Flexibility for Future – Both 2020 W. El Camino and 500 Capitol get our top rating. Both have room to expand. The Senator has room to expand once a tenant leaves. Meridian has very limited expansion capabilities.
- Overall Building usability – 2020 W. El Camino and 500 Capitol get our top rating. Both have good space for staff, freight elevators, adequate common areas, new building, provides upgrade cabling, and efficient lobby. The Senator has a high load factor and does not consolidate well. This results in added equipment purchases (copiers/printers) and is not conducive to IT and VOIP upgrade. The Meridian has good space but does not have the capability to consolidate and expand.
- Public Access to Building – 2020 W. El Camino gets our highest rating is that it is just off the freeway, adequate public transportation, and free parking. 500 Capitol and Senator/Meridian are next due to limited and costly parking, but good public transportation.
- Public Transportation/Light Rail (Staff) – 500 Capitol Mall and Senator/Meridian have top ratings. They both have bus and light rail access. 2020 W. El Camino has bus access but no light rail. From light rail it is a 10 to 20 minute commute. All State Employees get a 35% transit subsidy for public transportation.
- Parking Costs – 2020 W. El Camino get the top rating as there is no parking cost. There is plenty of parking for all staff and the public. 500 Capitol and Senator/Meridian has limited parking space costing the Agency over $30,000 per year.
- Other Amenities – 500 Capitol and Senator/Meridian have top honors. They are both in the heart of downtown with plenty of restaurants and shopping. 2020 W. El Camino is 10 minutes from Downtown with restaurants close by.

Overall, 2020 W. El Camino get the highest rating with 500 Capitol second and then Senator/Meridian.

Conclusion:

Based on the information provided, Staff would like the Board to make a decision on which facility to enter into a lease agreement. Staff would also like the Board to provide the Acting Executive Director authority to sign a negotiated lease agreement.

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CalHFA

QUALITATIVE COMPARISON OF DOWNTOWN LEASE OPTIONS **February 16, 2010**

	 1 Senator/Meridian	 2 2020 W. El Camino	 3 500 Capitol Mall
Building Ownership:	Senator Holdings LLC Meridian - AKT Properties	Bannon Investors – Kelly Family	Tsakopoulos Family
Size:	Total – 79,602 rsf Senator - 59,896 RSF – 4 floors Meridian - 19,706 RSF 5th floor	65,000 rsf 2 ½ floors	65,000 rsf 4 floors
Lease Term:	Senator - 10 Year – full Restack Based upon Meridian – 10 Year - Renewal (Analysis based upon 12.5 year comparison)	12.5 years	12.7 years
Base Lease Rate:	Senator -$2.35 psf/mo FS with $.05 psf/mo annual increases Meridian - $2.65 psf/FS with 2.5% annual increases	$2.65 psf/mo FS 3% annual increase	$2.70 psf/mo FS with 2% annual increases
Estimated Tenant Improvements:	"Turnkey" – estimated to be $35 to $45 per rsf – Move expected to be completed in 3 to 4 phases over 2.5 years	"Turnkey" – estimated to be $50 per rsf. In addition, if needed Landlord has agreed to amortize up to an additional $10 per rentable square foot on top of existing lease rate	"Turnkey" – estimated to be $50 per rsf
Rental Abatement:	Senator - 8 months free Meridian – 6 months free	3 months free	7 months free
Relocation & Moving Expenses*:	**$1,172,000**	**$795,750**	**$795,750**
Moving Allowance:	None.	$10 per rentable sf $650,000	$2.00 per rentable sf $130,000
Total Estimated Occupancy Costs: (Including Moving Expenses & Moving Allowance Offset)	**$35,781,317** **(based upon 12.5 year comparison)**	**$32,000,640**	**$31,837,391**
Total Estimated Savings:	**None.**	**$3,780,677**	**$3,943,926**
Delivery Date:	Senator - September 1, 2010 Meridian – October 10, 2010	September 1, 2010	September 1, 2010

* includes items such as moving, telecom and furniture expenses.

Site Selection Criteria - Corporate Headquarters Facility Project

Non-Financial Criteria

Item #	Site Selection Criteria	Priority Weight	Senator / Meridian	Rank / R x W	2020 W. El Camino	Rank / R x W	500 Capitol Mall	Rank / R x W
1	Consolidation	5	72,000 - 78,000 rsf in two buildings. Consolidation would required (+/-3 phase) move; from 9 floors in two buildings to 5 floors in 2 buildings. Consolidation includes retention of **Meridian** 5th floor - **Senator** - 4 non-contiguous floors. Does not meet Agency's consolidation goals. **Refer to Financial Summary**	1 5	65,000 rsf in one building, 2.5 floors. Meets Agency's consolidation goals. **Refer to Financial Summary**	3 15	65,000 to 70,000 rsf in one bulding, 4 floors. Meets some but not all of Agency's consolidation goals. **Refer to Financial Summary.**	2 10
2	Building Efficiencies	5	Consolidation would require keeping **Meridian** 5th floor (+/- 19,706 sf) plus **Senator** four floors - 3 phase move over 2 years. Existing telecom cabling does not support VoIP.	1 5	Open floor plate structure supports Agency's plan to consolidate and restructure divisions, workflow and business equipment.	3 15	Consolidation to +/- 4 floors - which includes to two 24,000 sf floors, and up to two 11,000 sf floors	2 10
3	Building Systems & Amenities - office type, shape, condition, and age.	5	**Meridian** - Class "A" office - great condition built in 2004 - **Senator** is Historic Building Older Bldg. - Small floor plates present challenge. Data Center in Basement - requires immediate attention. **Meridian** load factor = 15%. **Senator** load factor = 18%.	1 5	New Class "A" Suburban Office Building with large floor plates - LEED Gold. New back up generator located on site. Data Center would be located on 4th floor. Still located in flood plain. Load factor = 16%	3 15	High Image Class "A" Downtown Office Building - Parking garage located in first several floors of building - Tenants include major law firms and Bank of the West. Data Center would be located on 9th floor. Still located in flood plain. Load factor between 12-16% based upon final floor plan.	3 15
4	Availability/Flexibility for Future - expand/reduce square footage	4	Expansion in **Meridian** Limited, and subject to other Tenant's rights; **Senator** - Expansion Rights available but might require relocation of smaller Tenant's	1 4	New Building - 1st Tenant - Plenty of Space - Option to Expand up to 15,000 sf in 1st year on contiguous floors, Right of First Refusal	3 12	New Building - Options to Expand & Rights of First Refusal Available - might be on non-contiguous floors	3 12
5	Overall Building Usability - adequate space for people, equipment	4	**Meridian** - Good space for people, equipment - freight elevator - **Senator** - Large Lobby - High Load Factor.	2 8	Good space for people, equipment, designed with Freight Elevators, Adequate Common areas, Efficient Lobby	3 12	Good space for people, equipment, designed with Freight Elevators, Adequate Common areas, Efficient Lobby	3 12
6	Public Access to Building - customers, business partners & vendors	4	Access good for customers walking downtown, parking limited and costly for business partners & vendors	2 8	Great Freeway Access I-5 at West El Camino Exit - Ample free Parking	3 12	Access good for visitors walking downtown, parking limited and costly for business partners & vendors	2 8
7	Public Transportation / Light Rail	4	Great Access to all public transportation/Light Rail. 35% Transportation Subsidy available to employees.	3 12	Access to S. Natomas TMA providing Bus Passes - Bus Access/Car Pool/Ride Share - Light Rail Riders have buses leave Downtown every 20 minutes. 35% Transportation Subsidy available to employees.	1 4	Great Access to all public transportation/Light Rail. 35% Transportation Subsidy available to employees.	3 12
8	Parking Costs	3	Agency pays for 14 spaces costing $30,300 per year - Employees pay own parking which based upon 200 drivers (Parking cost estimated to be $150 per space - $30,000 per month or $360,000 per year)	1 3	No Parking Costs - Would save $30,300 per year. Effectively a +/-$3,000 raise for each employee that pays $150 per space downtown	3 9	Agency pays for 14 spaces costing $33,240 per year - Employees pay own parking which based upon 200 drivers (Parking cost estimated to be $150 per space - $30,000 per month or $360,000 per year)	1 3
9	Other Amenities: Restaurants, Parks, etc.	2	Easy access to Downtown Restaurants, Capitol Park	3 6	Deli close to existing building with other restaurants in walking distance; adjacent to Discovery Park - River Walking Bike Trails	1 2	Easy access to Downtown Restaurants, Capitol Park	3 6
	Sub-Total Non-Financial Factors	36		56		96		88
	Total Rank X Weight	36		**56**		**96**		**88**
	Final Subjective Rank			**3**		**1**		**2**

Non-Financial Priority Weight **High** is 5, Non-Financial Priority Weight **Low** is 1. High Rank is **3**, the Low Rank is **1**.

CresaPartners

RESOLUTION 10-05

RESOLUTION AUTHORIZING THE EXECUTION OF A LEASE

WHEREAS, California law requires that the headquarters of the California Housing Finance Agency ("Agency") be located within the City of Sacramento; and

WHEREAS, the Agency currently leases space in two buildings in downtown Sacramento for headquarters staff; and

WHEREAS, leasing two separate buildings in downtown Sacramento for headquarters staff is inefficient and costly; and

WHEREAS, the leases for the two current buildings are due to expire in 2010, and the Agency will be required to either renew those leases or enter into a new lease for a consolidated location; and

WHEREAS, the Agency has been exploring consolidation options that would result in long term savings to the Agency; and

WHEREAS, the Agency staff has reviewed a variety of lease proposals; and has determined that two proposals for space located within the City of Sacramento would result in savings and meet the Agency's space needs; and

WHEREAS, the Board of Directors has reviewed the proposals and believes that the lease for space at _______________, Sacramento, California meets the Agency's needs and will result in a significant cost savings;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors as follows:

1. The Executive Director is authorized negotiate and execute a final lease, on key terms consistent with those in the proposal submitted to the Board, for space within the building located at ___________________, Sacramento, California.

I hereby certify that this is a true and correct copy of Resolution 10-05 adopted at a duly constituted meeting of the Board of Directors of the Agency held on February 25, 2010, at Sacramento, California.

ATTEST: ________________________

Secretary

State of California

M E M O R A N D U M

To: Board of Directors **Date:** February 18, 2010

Bruce D. Gilbertson, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: Homeownership Loan Portfolio Update $ n : /: q j 6 : z: /: LDDA

Attached for your information is a report summarizing the Agency's Homeownership loan portfolio:

- Delinquencies as of November 30, 2009 by insurance type,
- Delinquencies as of November 30, 2009 by product (loan) type,
- Delinquencies as of November 30, 2009 by loan servicer,
- Delinquencies as of November 30, 2009 by county,
- A graph of CalHFA's 90-day+ ratios for FHA and Conventional loans (for the period of November 1999 through November 2009),
- A graph of 90-day+ ratios for CalHFA's three Conventional loan (products) types, for the period of November 2007 through November 2009,
- Real Estate Owned (REO) at December 31, 2009,
- Gains/ (Losses) on the Disposition of 1st Trust Deeds, January 1 through December 31, 2008, and January 1 through December 31, 2009, and
- Write-Offs of subordinate loans, January 1 through December 31, 2008, and January 1 through December 31, 2009,

California Housing Finance Agency

CalHFA

HOMEOWNERSHIP LOAN PORTFOLIO
DELINQUENCY, REO and LOSS REPORT

Reconciled Loan Delinquency Summary
All Active Loans By Insurance Type
As of November 30, 2009

	Loan Count	Balance	Percent	DELINQUENCY RATIOS 30-Day	60-Day	90(+) Day	Total
Federal Guaranty							
FHA	14,696	$ 2,025,337,323	33.20%	5.78%	2.75%	10.87%	19.41%
VA	406	64,384,498	1.06%	2.46%	2.22%	9.36%	14.04%
RHS	99	19,581,739	0.32%	1.01%	3.03%	12.12%	16.16%
Conventional loans							
with MI							
CalHFA MI Fund	9,193	2,513,609,267	41.20%	4.20%	2.45%	15.88%	22.53%
without MI							
Orig with no MI	5,987	1,249,489,304	20.48%	2.24%	1.09%	5.43%	8.75%
MI Cancelled*	1,595	228,905,792	3.75%	2.07%	1.25%	2.32%	5.64%
Total CalHFA	31,976	$ 6,101,307,922	100.00%	4.42%	2.27%	10.85%	17.54%

*Cancelled per Federal Homeowner Protection Act of 1998, which grants the option to cancel the MI with 20% equity.

Reconciled Loan Delinquency Summary
All Active Loans By Loan Type
As of November 30, 2009

	Loan Count	Balance	Percent	DELINQUENCY RATIOS 30-Day	60-Day	90(+) Day	Total
30-yr level amort							
FHA	14,696	$ 2,025,337,323	33.20%	5.78%	2.75%	10.87%	19.41%
VA	406	64,384,498	1.06%	2.46%	2.22%	9.36%	14.04%
RHS	99	19,581,739	0.32%	1.01%	3.03%	12.12%	16.16%
Conventional - with MI	4,401	1,091,753,431	17.89%	3.36%	1.91%	11.16%	16.43%
Conventional - w/o MI	6,605	1,245,148,167	20.41%	2.03%	0.95%	4.01%	6.99%
40-yr level amort							
Conventional - with MI	709	208,654,285	3.42%	5.22%	2.54%	17.49%	25.25%
Conventional - w/o MI	231	46,822,479	0.77%	3.03%	1.73%	5.19%	9.96%
5-yr IOP, 30-yr amort							
Conventional - with MI	4,083	1,213,201,551	19.88%	4.92%	3.01%	20.70%	28.63%
Conventional - w/o MI	746	186,424,450	3.06%	3.49%	2.41%	11.39%	17.29%
Total CalHFA	31,976	$ 6,101,307,922	100.00%	4.42%	2.27%	10.85%	17.54%
		Weighted average of conventional loans:		3.30%	1.85%	10.86%	16.01%

California Housing Finance Agency

CalHFA

Reconciled Loan Delinquency Summary
All Active Loans By Loan Servicer
As of November 30, 2009

	Loan Count	Balance	Percent	DELINQUENCY RATIOS 30-Day	60-Day	90(+) Day	Total
CALHFA - LOAN SERVICING	11,127	$ 2,641,704,724	43.30%	3.49%	1.51%	10.12%	15.12%
GUILD MORTGAGE	7,045	1,338,456,304	21.94%	4.63%	2.67%	13.26%	20.55%
BAC HOME LOANS SERVICING, LP	5,693	963,033,822	15.78%	5.71%	3.00%	12.96%	21.68%
WELLS FARGO HOME MORTGAGE	2,747	349,350,126	5.73%	4.48%	2.04%	6.30%	12.81%
EVERHOME MORTGAGE COMPANY	2,381	247,156,818	4.05%	4.96%	2.10%	5.71%	12.77%
FIRST MORTGAGE CORP	1,215	260,588,593	4.27%	4.03%	3.87%	15.39%	23.29%
GMAC MORTGAGE CORP	1,074	159,811,362	2.62%	6.15%	2.89%	9.78%	18.81%
BANK OF AMERICA, NA	322	57,638,706	0.94%	2.80%	1.55%	12.42%	16.77%
WASHINGTON MUTUAL BANK	244	62,360,031	1.02%	3.28%	1.23%	8.61%	13.11%
CITIMORTGAGE, INC.	68	16,441,835	0.27%	2.94%	7.35%	11.76%	22.06%
DOVENMUEHLE MORTGAGE, INC.	51	1,968,564	0.03%	0.00%	1.96%	0.00%	1.96%
WESCOM CREDIT UNION	8	2,475,232	0.04%	0.00%	12.50%	25.00%	37.50%
PROVIDENT CREDIT UNION	1	321,807	0.01%	0.00%	0.00%	0.00%	0.00%
Total CalHFA	31,976	$ 6,101,307,922	100.00%	4.42%	2.27%	10.85%	17.54%

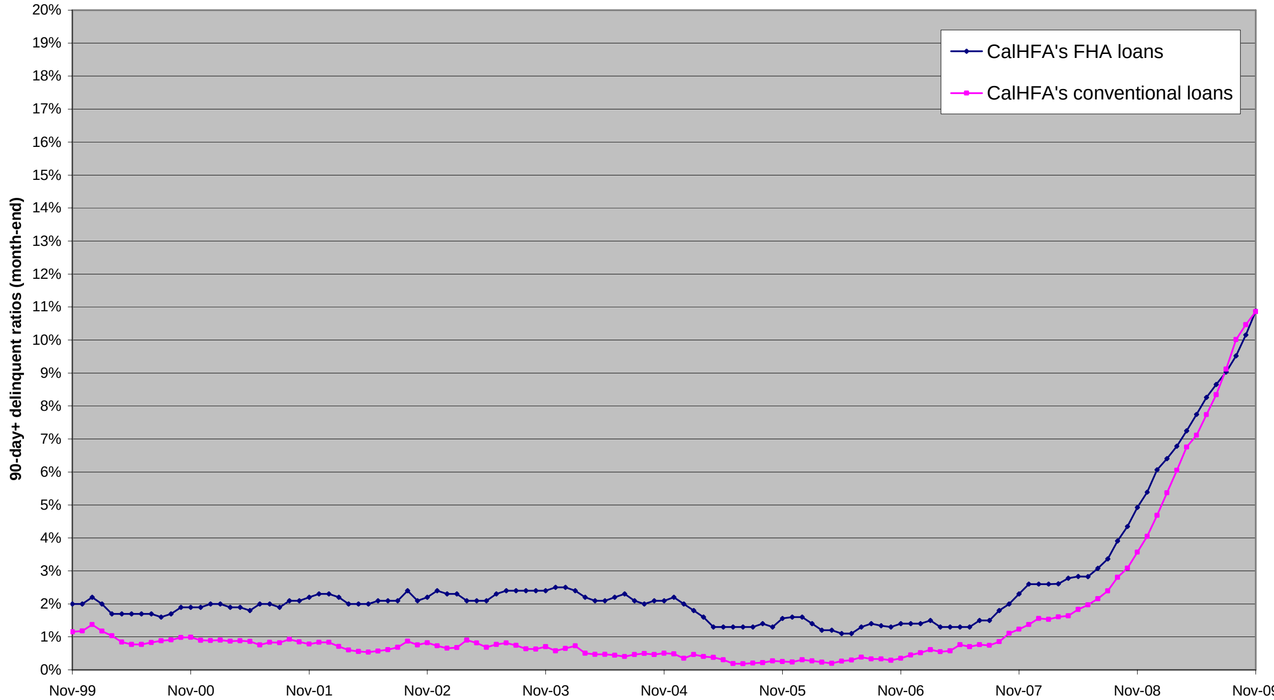
Reconciled Loan Delinquency Summary
All Active Loans By County
As of November 30, 2009

	Loan Count	Balance	Percent	DELINQUENCY RATIOS 30-Day	60-Day	90-Day+	Total
LOS ANGELES	4,943	$ 1,052,919,085	17.26%	4.29%	2.33%	8.44%	15.05%
SAN DIEGO	3,279	743,568,954	12.19%	3.84%	2.32%	14.85%	21.01%
KERN	2,003	237,984,069	3.90%	6.34%	3.54%	11.08%	20.97%
SANTA CLARA	1,961	556,925,529	9.13%	1.78%	0.92%	4.74%	7.45%
RIVERSIDE	1,863	326,318,289	5.35%	5.69%	3.27%	19.43%	28.40%
SAN BERNARDINO	1,794	327,610,783	5.37%	6.69%	3.18%	19.90%	29.77%
SACRAMENTO	1,671	327,745,023	5.37%	4.73%	2.33%	14.12%	21.18%
ORANGE	1,662	385,645,849	6.32%	3.37%	1.87%	6.98%	12.21%
TULARE	1,632	165,316,051	2.71%	7.29%	3.19%	9.19%	19.67%
FRESNO	1,581	156,779,539	2.57%	5.06%	2.91%	8.60%	16.57%
ALAMEDA	1,236	314,939,401	5.16%	2.02%	1.21%	5.83%	9.06%
CONTRA COSTA	1,040	246,227,410	4.04%	3.46%	1.35%	11.44%	16.25%
VENTURA	733	205,572,317	3.37%	2.18%	1.77%	9.82%	13.78%
IMPERIAL	719	77,640,677	1.27%	6.12%	2.64%	12.24%	21.00%
SONOMA	559	122,868,839	2.01%	3.40%	1.43%	6.26%	11.09%
OTHER COUNTIES	5,300	853,246,108	13.98%	4.04%	1.72%	9.58%	15.34%
Total CalHFA	31,976	$ 6,101,307,922	100.00%	4.42%	2.27%	10.85%	17.54%

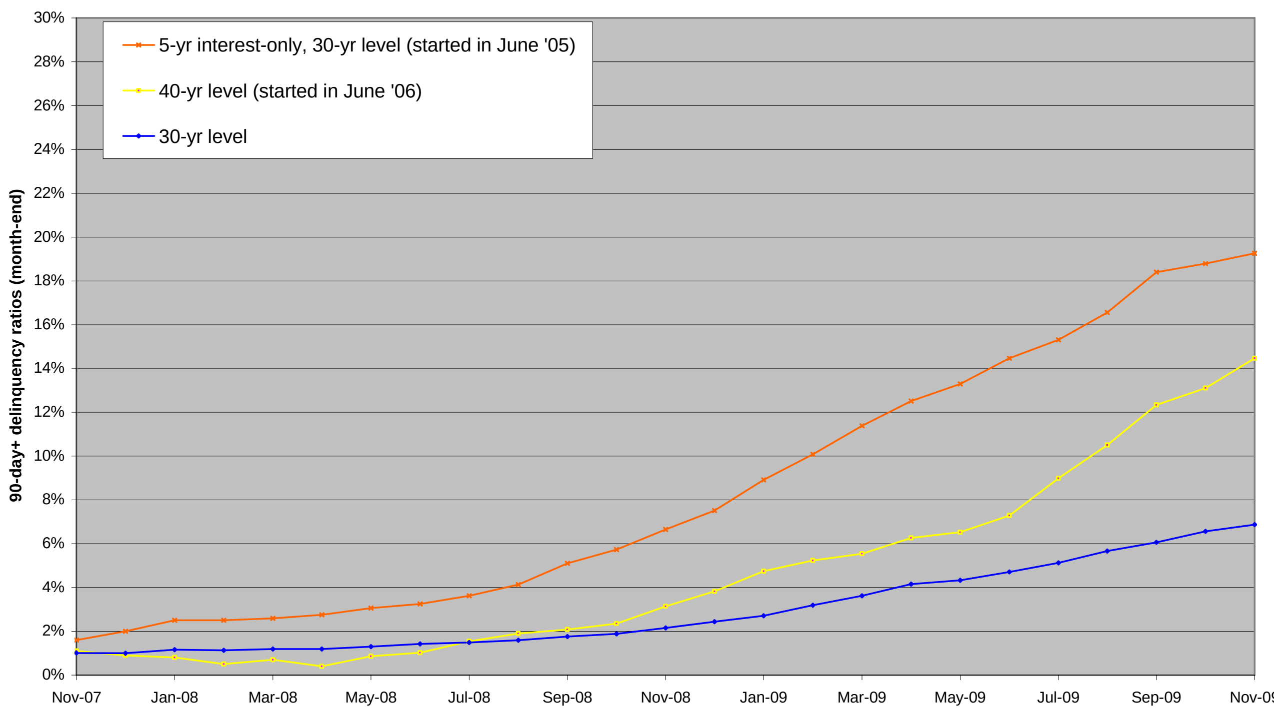
California Housing Finance Agency

CalHFA

90-day+ delinquent ratios for CalHFA's FHA and weighted average of all conventional loans



90-day+ delinquent ratios for CalHFA's Three Conventional Loan Types



California Housing Finance Agency

CalHFA

Real Estate Owned

Calendar Year 2009 (As of December 31, 2009)											
		*Trustee Sales			Disposition of REO(s)						
Loan Type	Beginning Balance # of Loans	Reverted to CalHFA Jan-Nov	Reverted to CalHFA Dec	Total Trustee Sales	Repurchased by Lender Jan-Nov	Market Sale(s) Jan-Nov	Repurchased by Lender Dec	Market Sale(s) Dec	Total Disposition of REO(s)	Ending Balance # of Loans	UPB of REO's Owned
FHA/RHS/VA	51	550	38	588	426		26		452	187	$ 41,010,373
Conventional	226	877	52	929		460		76	536	619	148,234,076
Total	277	1427	90	1,517	426	460	26	76	988	806	$ 189,244,449

Calendar Year 2008						
		*Trustee Sales	Disposition of REO(s)			
Loan Type	Beginning Balance # of Loans	Reverted to CalHFA 2008	Repurchased by Lender 2008	Market Sale(s) 2008	Ending Balance # of Loans	UPB of REO's Owned
FHA/RHS/VA	33	231	212	1	51	$ 11,206,593
Conventional	42	255		71	226	52,475,997
Total	75	486	212	72	277	$ 63,682,590

Calendar Year 2007						
		*Trustee Sales	Disposition of REO(s)			
Loan Type	Beginning Balance # of Loans	Reverted to CalHFA 2007	Repurchased by Lender 2007	Market Sale(s) 2007	Ending Balance # of Loans	UPB of REO's Owned
FHA/RHS/VA	8	57	32		33	$ 6,601,840
Conventional	2	42		2	42	10,081,744
Total	10	99	32	2	75	$ 16,683,584

**3rd party trustee sales are not shown in the table (tltle to these loans were never transferred to CalHFA). There were twenty-one (21) 3rd party sales in calendar year 2007 and eight (8) 3rd party sales in calendar year 2008, and there are eighteen (18) 3rd party sales year to date for 2009.*

California Housing Finance Agency

CalHFA

Calendar Year 2008[1] / 2009[2] Year to Date REO Uninsured Losses[3]	2008	2009
1st TD Sale Estimated Gain/(Loss)	$ (626,877)	$ (12,308,821)
Subordinate Write-Off	(6,421,515)	(18,376,390)
Total Gain(Loss)/Write-Offs	$ (7,048,392)	$ (30,685,211)

(1) For the period of January 1, 2008 thru December 31, 2008.
(2) For the period of January 1, 2009 thru December 31, 2009.
(3) Includes both reconciled and unreconciled gains/losses to date.

2009 Year to Date Composition of 1st Trust Deed Gain/(Loss)

(As of December 31, 2009)

	Disposition				
Loan Type	Repurchased by Lender	Market Sales	Loan Balance at Trustee Sale	Estimated Indenture Gain/(Loss)	[1]Estimated GAP Loss
FHA/RHS/VA	452		$ 94,165,120		
Conventional		536	138,031,915	$ (12,308,821)	$ (20,165,487)
	452	536	$232,197,035	$ (12,308,821)	$ (20,165,487)

(1) The California Housing Loan Insurance Fund (the "MI Fund") provides GAP insurance to meet HMRB bond indenture requirements that all loans have 50% of the unpaid principal balance insured by a mortgage insurance policy for the life of the loan. The insurance may be provided by any combination of government insurance, private mortgage insurance, or a policy from the MI Fund. The Agency has currently agreed, pursuant to an internal interfund agreement, to indemnify the MI Fund for claims paid for principal losses under the GAP insurance policy. The indemnification is currently payable from available funds held in a sub account within the California Housing Finance Fund. The interfund agreement may be modified or terminated by the Agency at any time.

2009 Year to Date Composition of Subordinate Write-Offs by Loan Type[1]

(As of December 31, 2009)

	Active Loans		Write-Offs			
Loan Type	**Active Loans**	**Dollar Amount**	**Number of Write-Offs**	**% (of Portfolio)**	**Dollar Amount**	**% (of Portfolio)**
CHAP/HiCAP	12,251	$131,587,898	968	7.90%	$10,857,278	8.25%
CHDAP/ECTP/HiRAP	21,629	181,338,893	956	4.42%	7,519,113	4.15%
Other [2]	292	3,825,502	0	0.00%	0	0.00%
	34,172	$316,752,293	1924	5.63%	$18,376,390	5.80%

(1) Does not include FNMA and CalSTRS subordinates (non-agency loans serviced by in house loan servicing)
(2) Includes HPA, MDP, OHPA, and SSLP.

State of California

M E M O R A N D U M

To: Board of Directors **Date:** February 18, 2010

Bruce D. Gilbertson, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: Homeownership Loan Portfolio Update q $6 : z: / : UOELDDA

Attached for your information is a report summarizing the Agency's Homeownership loan portfolio:

- Delinquencies as of December 31, 2009 by insurance type,
- Delinquencies as of December 31, 2009 by product (loan) type,
- Delinquencies as of December 31, 2009 by loan servicer,
- Delinquencies as of December 31, 2009 by county,
- A graph of CalHFA's 90-day+ ratios for FHA and Conventional loans (for the period of December 1999 through December 2009),
- A graph of 90-day+ ratios for CalHFA's three Conventional loan (products) types, for the period of December 2007 through December 2009,

California Housing Finance Agency

CalHFA

HOMEOWNERSHIP LOAN PORTFOLIO
DELINQUENCY, REO and LOSS REPORT

Reconciled Loan Delinquency Summary
All Active Loans By Insurance Type
As of December 31, 2009

	Loan Count	Balance	Percent	DELINQUENCY RATIOS 30-Day	60-Day	90(+) Day	Total
Federal Guaranty							
FHA	14,613	$ 2,005,987,738	33.15%	5.36%	2.71%	11.32%	19.39%
VA	401	63,561,559	1.05%	2.74%	2.00%	10.22%	14.96%
RHS	99	19,552,949	0.32%	1.01%	2.02%	14.14%	17.17%
Conventional loans							
with MI							
CalHFA MI Fund	9,116	2,488,409,572	41.13%	3.76%	2.29%	16.40%	22.46%
without MI							
Orig with no MI	5,967	1,242,803,206	20.54%	2.46%	0.94%	5.68%	9.08%
MI Cancelled*	1,587	230,200,677	3.80%	1.70%	0.88%	2.65%	5.23%
Total CalHFA	31,783	$ 6,050,515,702	100.00%	4.13%	2.16%	11.28%	17.56%

*Cancelled per Federal Homeowner Protection Act of 1998, which grants the option to cancel the MI with 20% equity.

Reconciled Loan Delinquency Summary
All Active Loans By Loan Type
As of December 31, 2009

	Loan Count	Balance	Percent	DELINQUENCY RATIOS 30-Day	60-Day	90(+) Day	Total
30-yr level amort							
FHA	14,613	$ 2,005,987,738	33.15%	5.36%	2.71%	11.32%	19.39%
VA	401	63,561,559	1.05%	2.74%	2.00%	10.22%	14.96%
RHS	99	19,552,949	0.32%	1.01%	2.02%	14.14%	17.17%
Conventional - with MI	4,360	1,080,425,497	17.86%	3.30%	1.70%	11.47%	16.47%
Conventional - w/o MI	6,577	1,239,775,167	20.49%	2.17%	0.85%	4.21%	7.24%
40-yr level amort							
Conventional - with MI	707	207,840,239	3.44%	4.81%	2.69%	17.68%	25.18%
Conventional - w/o MI	231	46,790,335	0.77%	3.03%	0.87%	6.49%	10.39%
5-yr IOP, 30-yr amort							
Conventional - with MI	4,049	1,200,143,836	19.84%	4.08%	2.86%	21.49%	28.43%
Conventional - w/o MI	746	186,438,381	3.08%	3.22%	1.61%	11.93%	16.76%
Total CalHFA	31,783	$ 6,050,515,702	100.00%	4.13%	2.16%	11.28%	17.56%
		Weighted average of conventional loans:		3.10%	1.67%	11.25%	16.03%

California Housing Finance Agency

CalHFA

Reconciled Loan Delinquency Summary
All Active Loans By Loan Servicer
As of December 31, 2009

	Loan Count	Balance	Percent	DELINQUENCY RATIOS 30-Day	60-Day	90(+) Day	Total
CALHFA - LOAN SERVICING	11,063	$ 2,620,243,974	43.31%	3.08%	1.47%	10.30%	14.86%
GUILD MORTGAGE	6,994	1,324,340,559	21.89%	4.78%	2.34%	13.53%	20.65%
BAC HOME LOANS SERVICING, LP	5,668	957,517,612	15.83%	4.87%	2.96%	13.94%	21.77%
WELLS FARGO HOME MORTGAGE	2,731	346,265,036	5.72%	3.66%	2.38%	6.59%	12.63%
EVERHOME MORTGAGE COMPANY	2,362	245,374,086	4.06%	5.08%	2.16%	5.88%	13.12%
FIRST MORTGAGE CORP	1,205	257,986,691	4.26%	4.56%	3.32%	16.51%	24.40%
GMAC MORTGAGE CORP	1,067	158,199,641	2.61%	6.37%	2.16%	10.59%	19.12%
BANK OF AMERICA, NA	322	57,434,278	0.95%	3.11%	1.24%	13.04%	17.39%
WASHINGTON MUTUAL BANK	244	62,268,057	1.03%	2.46%	0.82%	9.84%	13.11%
CITIMORTGAGE, INC.	68	16,418,708	0.27%	1.47%	7.35%	13.24%	22.06%
DOVENMUEHLE MORTGAGE, INC.	51	1,953,990	0.03%	1.96%	0.00%	1.96%	3.92%
WESCOM CREDIT UNION	7	2,191,725	0.04%	0.00%	0.00%	28.57%	28.57%
PROVIDENT CREDIT UNION	1	321,346	0.01%	0.00%	0.00%	0.00%	0.00%
Total CalHFA	31,783	$ 6,050,515,702	100.00%	4.13%	2.16%	11.28%	17.56%

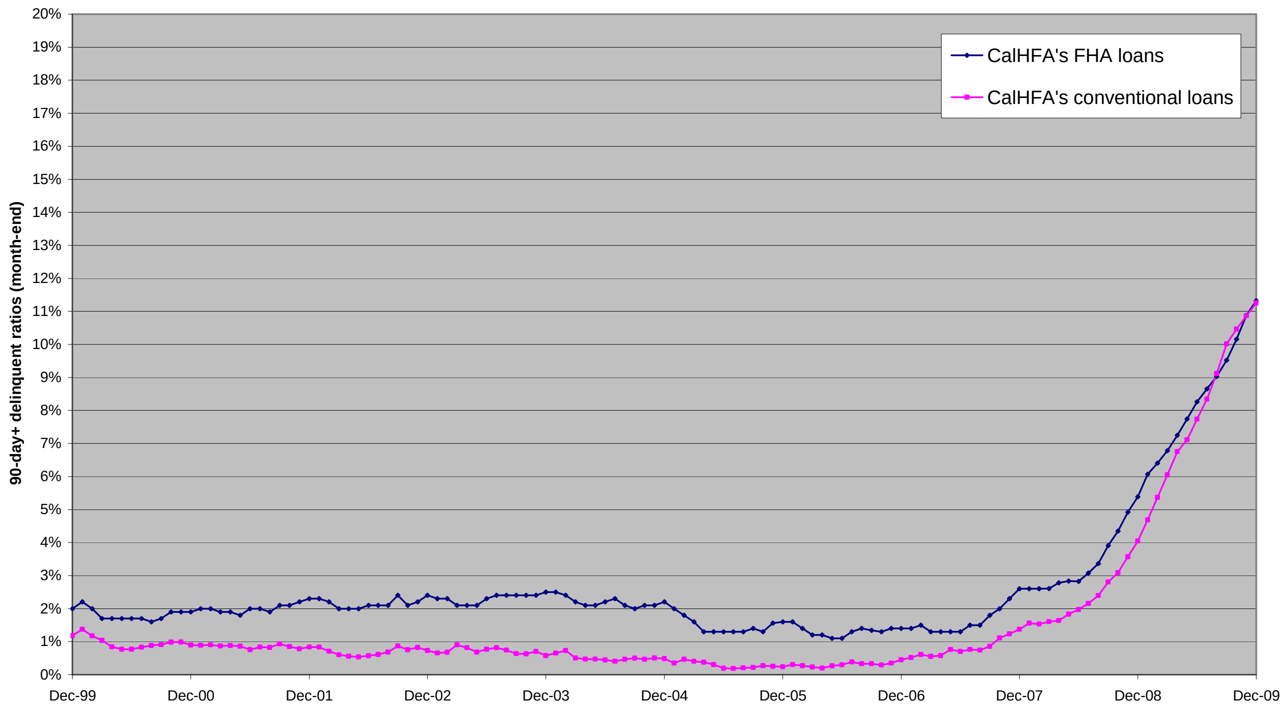
Reconciled Loan Delinquency Summary
All Active Loans By County
As of December 31, 2009

	Loan Count	Balance	Percent	DELINQUENCY RATIOS 30-Day	60-Day	90-Day+	Total
LOS ANGELES	4,919	$ 1,046,555,748	17.30%	3.96%	1.91%	9.01%	14.88%
SAN DIEGO	3,249	734,586,098	12.14%	3.66%	2.46%	15.14%	21.27%
KERN	1,994	236,117,004	3.90%	6.07%	3.31%	11.89%	21.26%
RIVERSIDE	1,845	322,022,003	5.32%	5.64%	3.41%	19.78%	28.83%
SAN BERNARDINO	1,783	325,018,169	5.37%	5.27%	3.37%	20.70%	29.33%
SANTA CLARA	1,946	551,257,291	9.11%	1.70%	0.82%	5.04%	7.55%
ORANGE	1,645	381,768,280	6.31%	1.95%	1.82%	7.54%	11.31%
TULARE	1,629	164,672,338	2.72%	5.71%	2.89%	10.19%	18.78%
SACRAMENTO	1,660	325,063,696	5.37%	4.34%	2.23%	14.46%	21.02%
FRESNO	1,571	155,002,576	2.56%	6.37%	2.10%	8.66%	17.12%
ALAMEDA	1,232	313,622,879	5.18%	2.35%	0.81%	5.76%	8.93%
CONTRA COSTA	1,034	244,370,199	4.04%	3.09%	1.84%	11.70%	16.63%
VENTURA	732	204,784,608	3.38%	2.05%	1.23%	10.25%	13.52%
IMPERIAL	713	76,773,666	1.27%	5.61%	1.82%	12.20%	19.64%
BUTTE	517	62,606,559	1.03%	3.87%	1.93%	9.67%	15.47%
OTHER COUNTIES	5,314	906,294,588	14.98%	4.01%	1.84%	9.62%	15.47%
Total CalHFA	31,783	$ 6,050,515,702	100.00%	4.13%	2.16%	11.28%	17.56%

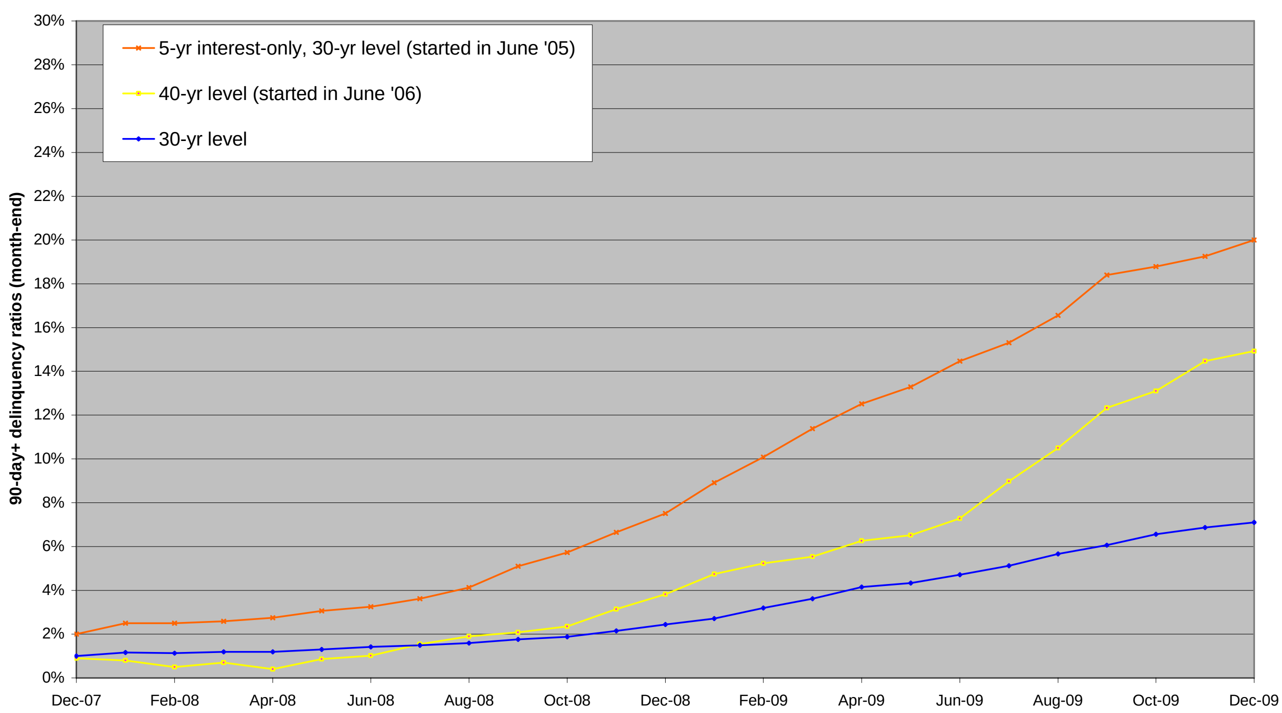
California Housing Finance Agency

CalHFA

90-day+ delinquent ratios for CalHFA's FHA and weighted average of all conventional loans



90-day+ delinquent ratios for CalHFA's Three Conventional Loan Types



State of California

M E M O R A N D U M

To: Board of Directors **Date:** February 18, 2010

Bruce D. Gilbertson, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

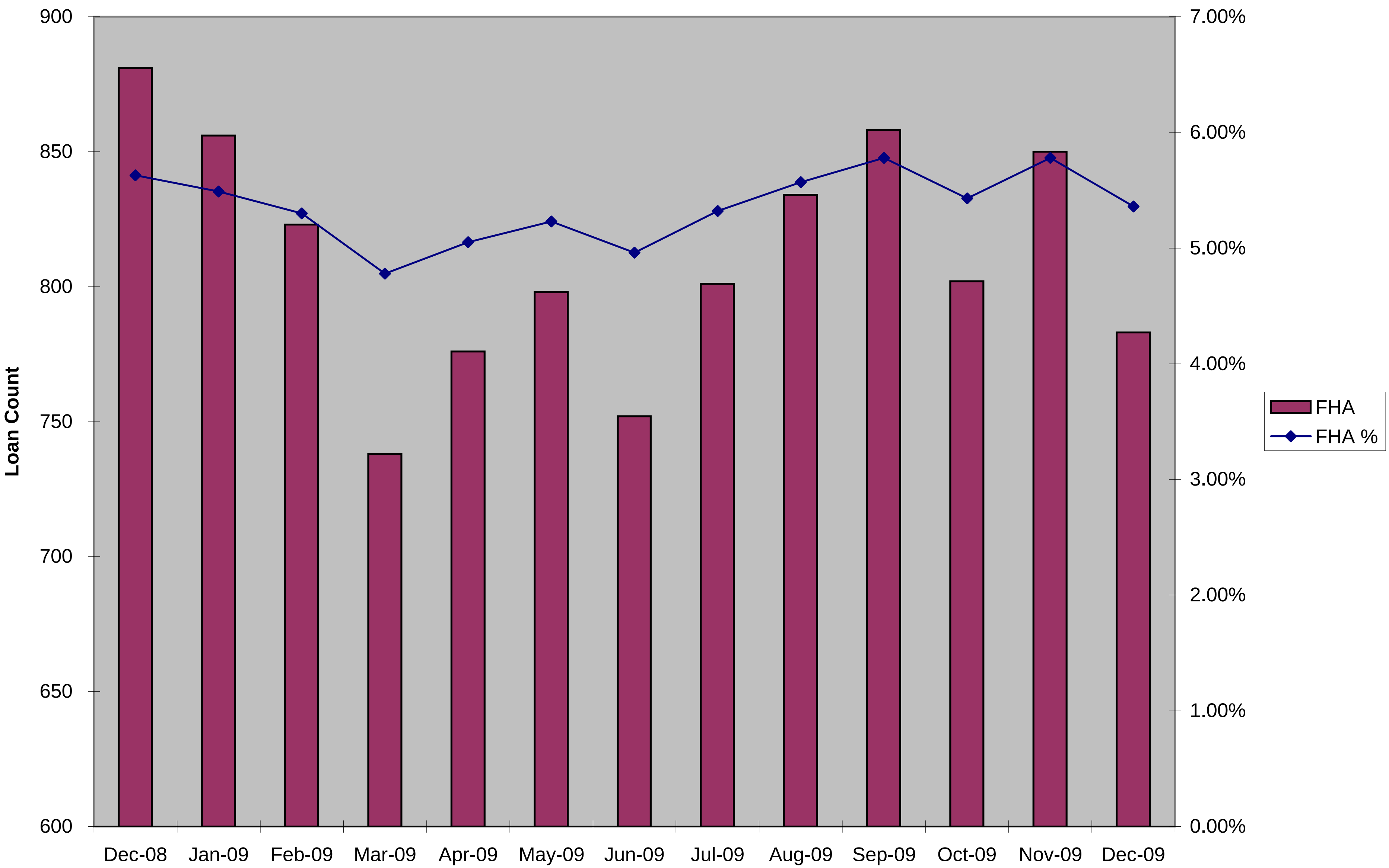
Subject: Homeownership Loan Portfolio – 30 Day Delinquent Loan Trend

Attached for your information are three charts showing the number of new delinquent loans (those borrowers that have missed one loan payment and are 30 days delinquent) by month and the percentage of all single family loans that are 30 days delinquent at the end of each month. The charts cover the period from December 2008 through December 2009 and show the trend of new delinquent loans for each of the following:

- FHA Insured portfolio
- Conventional portfolio
- All Homeownership loans

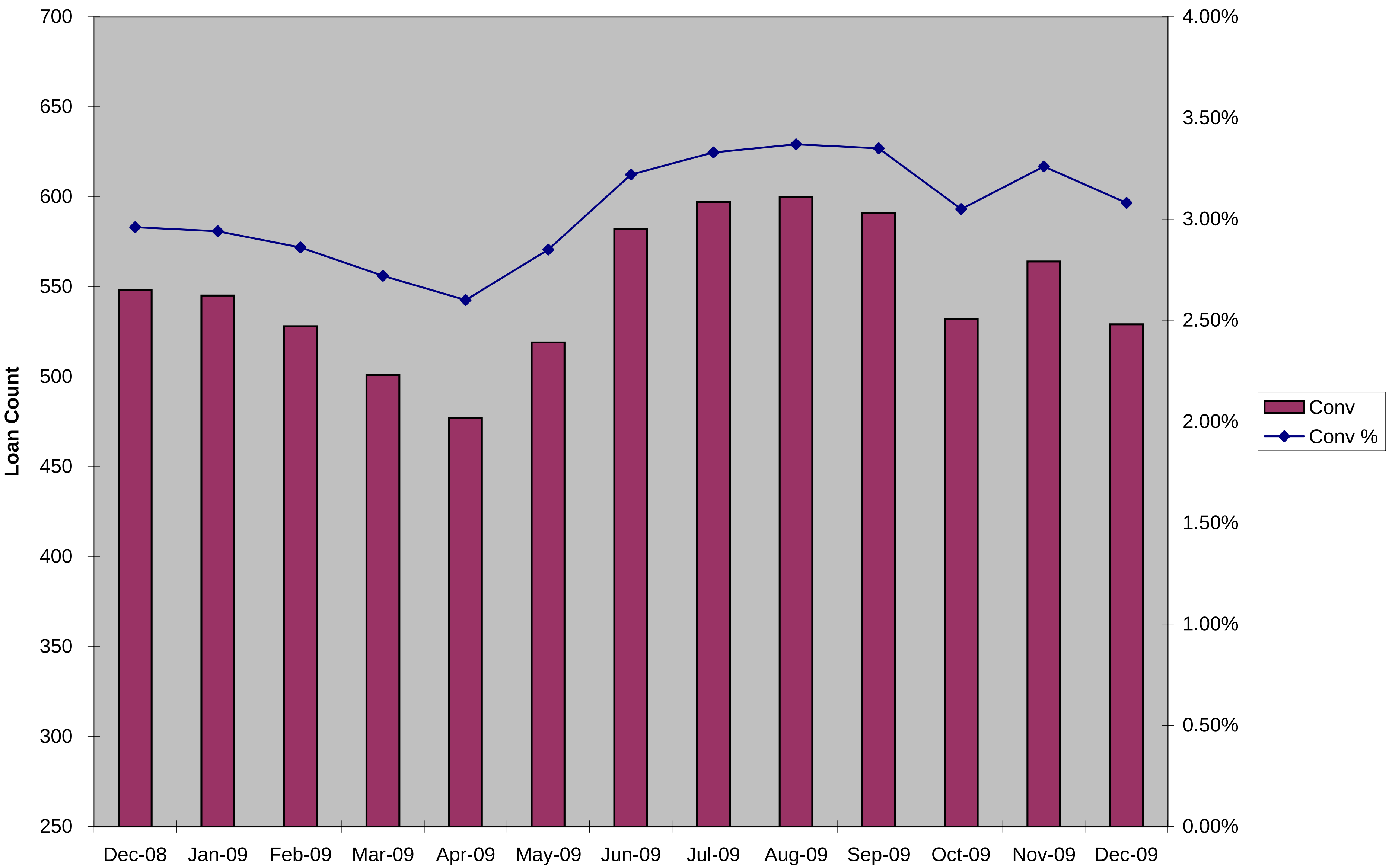
Homeownership Loan Portfolio

FHA 30-Day Delinquent Loan Trend



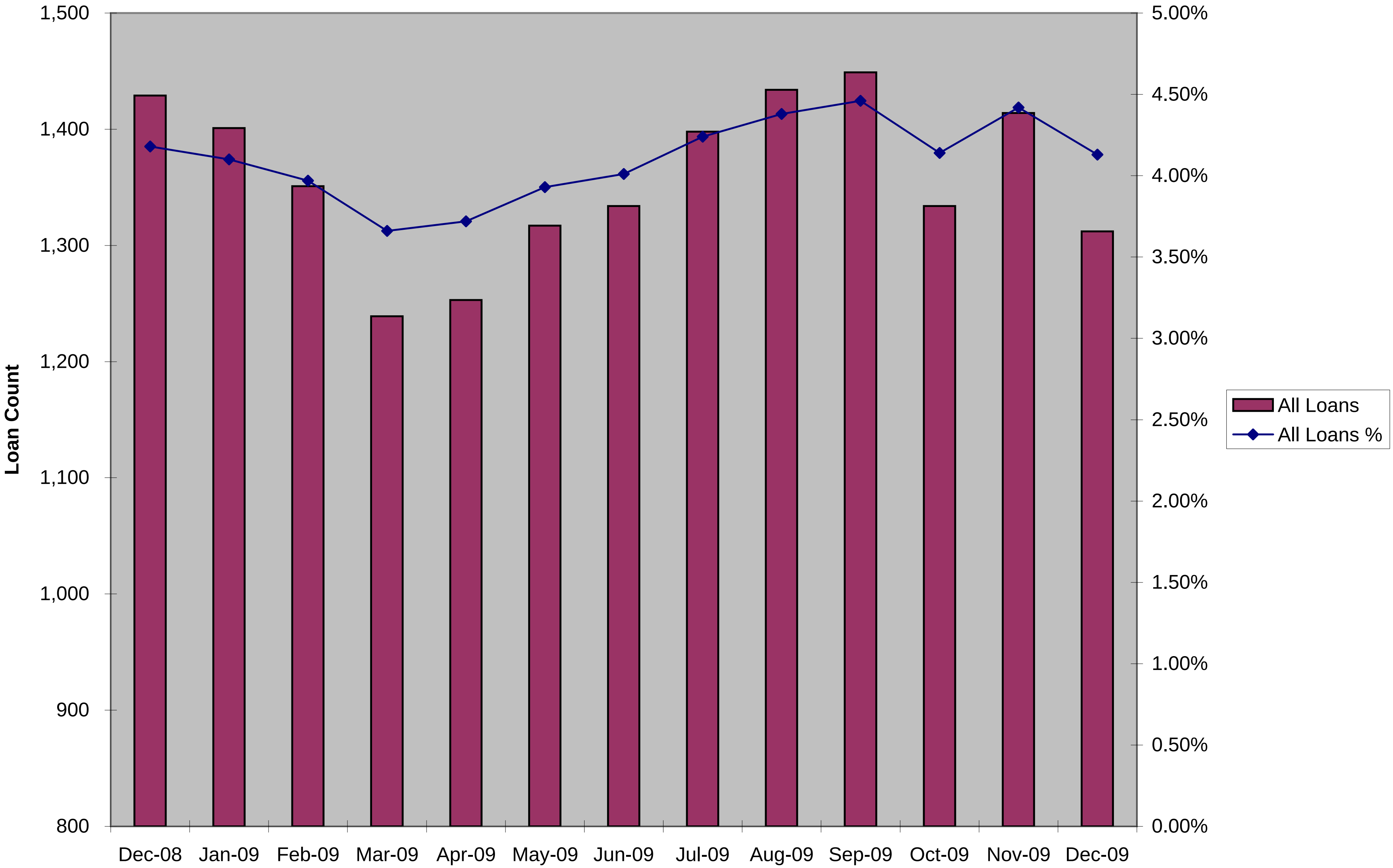
Homeownership Loan Portfolio

Conventional 30-Day Delinquent Loan Trend



Homeownership Loan Portfolio

All Loans 30-Day Delinquent Loan Trend



State of California

M E M O R A N D U M

To: Board of Directors **Date:** February 18, 2010

Bruce D. Gilbertson, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: Homeownership Loan Portfolio by Servicer/County

Attached for your information is the delinquency report summarizing the Agency's Homeownership loan portfolio by individual loan servicer and the county of the loans that they are servicing as of December 31, 2009.

Servicer	Loan Count	Page
CalHFA Loan Servicing	11,063	1
Guild Mortgage	6,994	2
BAC Home Loans Servicing, LP	5,668	3
Wells Fargo Home Mortgage	2,731	4
Everhome Mortgage Company	2,362	5
First Mortgage Corp	1,205	6
GMAC Mortgage Corp	1,067	7
Bank of America, NA	322	8
Washington Mutual Bank	244	9
Citimortgage, Inc.	68	10
Dovenmuehle Mortgage, Inc.	51	11
Wescom Credit Union	7	12
Provident Credit Union	1	13
	31,783	

HOMEOWNERSHIP LOAN PORTFOLIO BY SERVICER / COUNTY AS OF DECEMBER 31, 2009

CALHFA - LOAN SERVICING

Servicer and County		Loan Count	Balance	% of Balance	Loan Count	30-Day	Loan Count	60-Day	Loan Count	90+Day	Totals Count	Totals %
					DELINQUENCY RATIOS							
CALHFA - LOAN SERVICING		11,063	$ 2,620,243,974		341	3.08%	163	1.47%	1,140	10.30%	1,644	14.86%
County:	LOS ANGELES	1,774	$ 427,764,656	16.33%	54	3.04%	21	1.18%	131	7.38%	206	11.61%
	SAN DIEGO	1,547	359,491,454	13.72%	40	2.59%	37	2.39%	250	16.16%	327	21.14%
	KERN	241	31,907,653	1.22%	13	5.39%	5	2.07%	23	9.54%	41	17.01%
	RIVERSIDE	305	60,976,733	2.33%	12	3.93%	7	2.30%	47	15.41%	66	21.64%
	SAN BERNARDINO	388	78,170,498	2.98%	11	2.84%	4	1.03%	58	14.95%	73	18.81%
	SANTA CLARA	1,336	388,248,338	14.82%	24	1.80%	9	0.67%	61	4.57%	94	7.04%
	ORANGE	462	123,874,320	4.73%	9	1.95%	3	0.65%	34	7.36%	46	9.96%
	TULARE	282	42,359,821	1.62%	11	3.90%	3	1.06%	35	12.41%	49	17.38%
	SACRAMENTO	693	143,530,652	5.48%	28	4.04%	14	2.02%	100	14.43%	142	20.49%
	FRESNO	242	36,307,869	1.39%	13	5.37%	5	2.07%	32	13.22%	50	20.66%
	ALAMEDA	859	222,732,798	8.50%	23	2.68%	4	0.47%	48	5.59%	75	8.73%
	CONTRA COSTA	672	171,511,156	6.55%	22	3.27%	14	2.08%	85	12.65%	121	18.01%
	VENTURA	509	149,266,833	5.70%	10	1.96%	5	0.98%	47	9.23%	62	12.18%
	IMPERIAL	20	2,360,169	0.09%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	BUTTE	59	6,936,151	0.26%	2	3.39%	0	0.00%	4	6.78%	6	10.17%
	OTHER COUNTIES	1,674	374,804,875	14.30%	69	4.12%	32	1.91%	185	11.05%	286	17.08%
	TOTALS:	11,063	$ 2,620,243,974	100.00%	341	3.08%	163	1.47%	1,140	10.30%	1,644	14.86%

HOMEOWNERSHIP LOAN PORTFOLIO BY SERVICER / COUNTY AS OF DECEMBER 31, 2009

GUILD MORTGAGE

Servicer and County		Loan Count	Balance	% of Balance	Loan Count (Delinquency Ratios)	30-Day	Loan Count	60-Day	Loan Count	90+Day	Totals Count	Totals %
GUILD MORTGAGE		6,994	$ 1,324,340,559		334	4.78%	164	2.34%	946	13.53%	1,444	20.65%
County:	LOS ANGELES	1,091	$ 233,875,770	17.66%	62	5.68%	30	2.75%	126	11.55%	218	19.98%
	SAN DIEGO	877	209,975,299	15.86%	35	3.99%	22	2.51%	131	14.94%	188	21.44%
	KERN	348	40,465,929	3.06%	19	5.46%	13	3.74%	49	14.08%	81	23.28%
	RIVERSIDE	493	98,014,320	7.40%	24	4.87%	21	4.26%	127	25.76%	172	34.89%
	SAN BERNARDINO	430	81,584,549	6.16%	28	6.51%	9	2.09%	94	21.86%	131	30.47%
	SANTA CLARA	157	51,911,595	3.92%	1	0.64%	1	0.64%	8	5.10%	10	6.37%
	ORANGE	464	111,963,863	8.45%	9	1.94%	10	2.16%	50	10.78%	69	14.87%
	TULARE	407	37,160,535	2.81%	28	6.88%	9	2.21%	35	8.60%	72	17.69%
	SACRAMENTO	494	97,812,437	7.39%	20	4.05%	9	1.82%	67	13.56%	96	19.43%
	FRESNO	342	37,108,390	2.80%	17	4.97%	4	1.17%	24	7.02%	45	13.16%
	ALAMEDA	107	32,249,616	2.44%	3	2.80%	1	0.93%	10	9.35%	14	13.08%
	CONTRA COSTA	114	31,327,759	2.37%	1	0.88%	3	2.63%	9	7.89%	13	11.40%
	VENTURA	34	10,368,421	0.78%	1	2.94%	1	2.94%	4	11.76%	6	17.65%
	IMPERIAL	421	52,008,634	3.93%	24	5.70%	11	2.61%	71	16.86%	106	25.18%
	BUTTE	236	24,605,084	1.86%	9	3.81%	3	1.27%	18	7.63%	30	12.71%
	OTHER COUNTIES	979	173,908,355	13.13%	53	5.41%	17	1.74%	123	12.56%	193	19.71%
	TOTALS:	6,994	$ 1,324,340,559	100.00%	334	4.78%	164	2.34%	946	13.53%	1,444	20.65%

HOMEOWNERSHIP LOAN PORTFOLIO BY SERVICER / COUNTY AS OF DECEMBER 31, 2009

BAC HOME LOANS SERVICING, LP

Servicer and County		Loan Count		Balance	% of Balance	DELINQUENCY RATIOS Loan Count	30-Day	Loan Count	60-Day	Loan Count	90+Day	Totals Count	%
BAC HOME LOANS SERVICING, LP		5,668	$	957,517,612		276	4.87%	168	2.96%	790	13.94%	1,234	21.77%
County:	LOS ANGELES	924	$	178,500,338	18.64%	40	4.33%	23	2.49%	86	9.31%	149	16.13%
	SAN DIEGO	539		121,862,372	12.73%	26	4.82%	16	2.97%	101	18.74%	143	26.53%
	KERN	472		59,426,600	6.21%	30	6.36%	19	4.03%	80	16.95%	129	27.33%
	RIVERSIDE	577		87,786,469	9.17%	41	7.11%	17	2.95%	108	18.72%	166	28.77%
	SAN BERNARDINO	383		69,087,034	7.22%	16	4.18%	21	5.48%	100	26.11%	137	35.77%
	SANTA CLARA	108		35,708,362	3.73%	3	2.78%	2	1.85%	13	12.04%	18	16.67%
	ORANGE	436		93,896,176	9.81%	10	2.29%	13	2.98%	29	6.65%	52	11.93%
	TULARE	508		52,152,911	5.45%	32	6.30%	17	3.35%	66	12.99%	115	22.64%
	SACRAMENTO	152		31,440,840	3.28%	7	4.61%	6	3.95%	29	19.08%	42	27.63%
	FRESNO	382		33,584,125	3.51%	27	7.07%	9	2.36%	36	9.42%	72	18.85%
	ALAMEDA	90		23,499,935	2.45%	1	1.11%	1	1.11%	6	6.67%	8	8.89%
	CONTRA COSTA	72		16,642,017	1.74%	4	5.56%	2	2.78%	14	19.44%	20	27.78%
	VENTURA	99		28,266,457	2.95%	1	1.01%	2	2.02%	15	15.15%	18	18.18%
	IMPERIAL	149		14,710,348	1.54%	8	5.37%	1	0.67%	12	8.05%	21	14.09%
	BUTTE	25		3,445,178	0.36%	1	4.00%	0	0.00%	3	12.00%	4	16.00%
	OTHER COUNTIES	752		107,508,450	11.23%	29	3.86%	19	2.53%	92	12.23%	140	18.62%
	TOTALS:	5,668	$	957,517,612	100.00%	276	4.87%	168	2.96%	790	13.94%	1,234	21.77%

HOMEOWNERSHIP LOAN PORTFOLIO BY SERVICER / COUNTY AS OF DECEMBER 31, 2009

WELLS FARGO HOME MORTGAGE

Servicer and County		Loan Count	Balance	% of Balance	Loan Count	30-Day	Loan Count	60-Day	Loan Count	90+Day	Totals Count	Totals %
					DELINQUENCY RATIOS							
WELLS FARGO HOME MORTGAGE		2,731	$ 346,265,036		100	3.66%	65	2.38%	180	6.59%	345	12.63%
County:	LOS ANGELES	328	$ 48,097,425	13.89%	10	3.05%	5	1.52%	19	5.79%	34	10.37%
	SAN DIEGO	155	22,106,617	6.38%	8	5.16%	1	0.65%	5	3.23%	14	9.03%
	KERN	154	11,859,462	3.42%	6	3.90%	5	3.25%	6	3.90%	17	11.04%
	RIVERSIDE	229	30,667,807	8.86%	12	5.24%	9	3.93%	29	12.66%	50	21.83%
	SAN BERNARDINO	202	25,906,487	7.48%	14	6.93%	9	4.46%	30	14.85%	53	26.24%
	SANTA CLARA	177	29,063,909	8.39%	3	1.69%	1	0.56%	6	3.39%	10	5.65%
	ORANGE	117	19,103,112	5.52%	3	2.56%	2	1.71%	3	2.56%	8	6.84%
	TULARE	112	9,760,376	2.82%	4	3.57%	6	5.36%	8	7.14%	18	16.07%
	SACRAMENTO	100	16,448,245	4.75%	4	4.00%	4	4.00%	11	11.00%	19	19.00%
	FRESNO	187	15,627,630	4.51%	11	5.88%	6	3.21%	18	9.63%	35	18.72%
	ALAMEDA	53	9,754,163	2.82%	1	1.89%	3	5.66%	1	1.89%	5	9.43%
	CONTRA COSTA	58	8,864,360	2.56%	0	0.00%	0	0.00%	5	8.62%	5	8.62%
	VENTURA	34	6,293,199	1.82%	1	2.94%	0	0.00%	3	8.82%	4	11.76%
	IMPERIAL	105	7,194,702	2.08%	5	4.76%	1	0.95%	4	3.81%	10	9.52%
	BUTTE	25	2,791,893	0.81%	1	4.00%	0	0.00%	2	8.00%	3	12.00%
	OTHER COUNTIES	695	82,725,648	23.89%	17	2.45%	13	1.87%	30	4.32%	60	8.63%
	TOTALS:	2,731	$ 346,265,036	100.00%	100	3.66%	65	2.38%	180	6.59%	345	12.63%

HOMEOWNERSHIP LOAN PORTFOLIO BY SERVICER / COUNTY AS OF DECEMBER 31, 2009

EVERHOME MORTGAGE COMPANY

Servicer and County		Loan Count	Balance	% of Balance	Loan Count	30-Day	Loan Count	60-Day	Loan Count	90+Day	Totals Count	Totals %
					DELINQUENCY RATIOS							
EVERHOME MORTGAGE COMPANY		2,362	$ 245,374,086		120	5.08%	51	2.16%	139	5.88%	310	13.12%
County:	LOS ANGELES	334	$ 48,493,936	19.76%	8	2.40%	5	1.50%	25	7.49%	38	11.38%
	SAN DIEGO	49	3,758,698	1.53%	2	4.08%	2	4.08%	0	0.00%	4	8.16%
	KERN	110	7,123,225	2.90%	7	6.36%	1	0.91%	5	4.55%	13	11.82%
	RIVERSIDE	59	7,634,940	3.11%	3	5.08%	4	6.78%	7	11.86%	14	23.73%
	SAN BERNARDINO	88	11,580,782	4.72%	6	6.82%	2	2.27%	9	10.23%	17	19.32%
	SANTA CLARA	19	924,153	0.38%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	ORANGE	79	12,545,147	5.11%	1	1.27%	1	1.27%	3	3.80%	5	6.33%
	TULARE	283	17,608,933	7.18%	17	6.01%	11	3.89%	11	3.89%	39	13.78%
	SACRAMENTO	114	16,371,343	6.67%	4	3.51%	2	1.75%	12	10.53%	18	15.79%
	FRESNO	317	16,645,421	6.78%	27	8.52%	6	1.89%	12	3.79%	45	14.20%
	ALAMEDA	9	692,595	0.28%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	CONTRA COSTA	51	3,506,492	1.43%	2	3.92%	0	0.00%	2	3.92%	4	7.84%
	VENTURA	16	2,020,141	0.82%	1	6.25%	0	0.00%	1	6.25%	2	12.50%
	IMPERIAL	4	255,281	0.10%	1	25.00%	0	0.00%	0	0.00%	1	25.00%
	BUTTE	125	17,541,809	7.15%	7	5.60%	6	4.80%	16	12.80%	29	23.20%
	OTHER COUNTIES	705	78,671,190	32.06%	34	4.82%	11	1.56%	36	5.11%	81	11.49%
	TOTALS:	2,362	$ 245,374,086	100.00%	120	5.08%	51	2.16%	139	5.88%	310	13.12%

HOMEOWNERSHIP LOAN PORTFOLIO BY SERVICER / COUNTY AS OF DECEMBER 31, 2009

FIRST MORTGAGE CORP

					DELINQUENCY RATIOS							
Servicer and County		Loan Count	Balance	% of Balance	Loan Count	30-Day	Loan Count	60-Day	Loan Count	90+Day	Totals Count	%
FIRST MORTGAGE CORP		1,205	$ 257,986,691		55	4.56%	40	3.32%	199	16.51%	294	24.40%
County:	LOS ANGELES	253	$ 62,413,564	24.19%	9	3.56%	9	3.56%	32	12.65%	50	19.76%
	SAN DIEGO	28	7,343,737	2.85%	3	10.71%	1	3.57%	2	7.14%	6	21.43%
	KERN	47	8,422,710	3.26%	5	10.64%	5	10.64%	13	27.66%	23	48.94%
	RIVERSIDE	139	30,046,821	11.65%	11	7.91%	4	2.88%	33	23.74%	48	34.53%
	SAN BERNARDINO	253	51,633,447	20.01%	14	5.53%	15	5.93%	67	26.48%	96	37.94%
	SANTA CLARA	36	9,994,041	3.87%	0	0.00%	0	0.00%	3	8.33%	3	8.33%
	ORANGE	42	11,424,312	4.43%	0	0.00%	1	2.38%	5	11.90%	6	14.29%
	TULARE	18	3,038,978	1.18%	0	0.00%	0	0.00%	5	27.78%	5	27.78%
	SACRAMENTO	56	12,265,940	4.75%	6	10.71%	1	1.79%	10	17.86%	17	30.36%
	FRESNO	43	7,603,004	2.95%	2	4.65%	1	2.33%	5	11.63%	8	18.60%
	ALAMEDA	8	2,018,747	0.78%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	CONTRA COSTA	26	5,042,247	1.95%	2	7.69%	0	0.00%	2	7.69%	4	15.38%
	VENTURA	2	824,340	0.32%	0	0.00%	0	0.00%	1	50.00%	1	50.00%
	IMPERIAL	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	BUTTE	27	4,758,738	1.84%	0	0.00%	0	0.00%	3	11.11%	3	11.11%
	OTHER COUNTIES	227	41,156,064	15.95%	3	1.32%	3	1.32%	18	7.93%	24	10.57%
	TOTALS:	1,205	$ 257,986,691	100.00%	55	4.56%	40	3.32%	199	16.51%	294	24.40%

HOMEOWNERSHIP LOAN PORTFOLIO BY SERVICER / COUNTY AS OF DECEMBER 31, 2009

GMAC MORTGAGE CORP

Servicer and County		Loan Count		Balance	% of Balance	Loan Count	30-Day	Loan Count	60-Day	Loan Count	90+Day	Totals Count	Totals %
						DELINQUENCY RATIOS							
GMAC MORTGAGE CORP		1,067	$	158,199,641		68	6.37%	23	2.16%	113	10.59%	204	19.12%
County:	LOS ANGELES	164	$	36,013,729	22.76%	9	5.49%	1	0.61%	22	13.41%	32	19.51%
	SAN DIEGO	26		3,964,082	2.51%	2	7.69%	1	3.85%	1	3.85%	4	15.38%
	KERN	588		72,765,940	46.00%	39	6.63%	16	2.72%	55	9.35%	110	18.71%
	RIVERSIDE	23		3,267,602	2.07%	1	4.35%	0	0.00%	6	26.09%	7	30.43%
	SAN BERNARDINO	29		4,742,303	3.00%	5	17.24%	0	0.00%	6	20.69%	11	37.93%
	SANTA CLARA	24		6,371,773	4.03%	0	0.00%	0	0.00%	1	4.17%	1	4.17%
	ORANGE	18		3,612,366	2.28%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	TULARE	12		1,953,346	1.23%	1	8.33%	1	8.33%	4	33.33%	6	50.00%
	SACRAMENTO	9		1,195,104	0.76%	1	11.11%	0	0.00%	2	22.22%	3	33.33%
	FRESNO	47		6,898,530	4.36%	3	6.38%	2	4.26%	5	10.64%	10	21.28%
	ALAMEDA	17		1,153,741	0.73%	1	5.88%	1	5.88%	1	5.88%	3	17.65%
	CONTRA COSTA	13		1,127,989	0.71%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	VENTURA	12		2,169,765	1.37%	1	8.33%	0	0.00%	0	0.00%	1	8.33%
	IMPERIAL	14		244,533	0.15%	2	14.29%	0	0.00%	0	0.00%	2	14.29%
	BUTTE	16		1,941,449	1.23%	0	0.00%	1	6.25%	3	18.75%	4	25.00%
	OTHER COUNTIES	55		10,777,389	6.81%	3	5.45%	0	0.00%	7	12.73%	10	18.18%
	TOTALS:	1,067	$	158,199,641	100.00%	68	6.37%	23	2.16%	113	10.59%	204	19.12%

HOMEOWNERSHIP LOAN PORTFOLIO BY SERVICER / COUNTY AS OF DECEMBER 31, 2009

BANK OF AMERICA, NA

Servicer and County		Loan Count		Balance	% of Balance	Loan Count	30-Day	Loan Count	60-Day	Loan Count	90+Day	Totals Count	Totals %
						DELINQUENCY RATIOS							
BANK OF AMERICA, NA		322	$	57,434,278		10	3.11%	4	1.24%	42	13.04%	56	17.39%
County:	LOS ANGELES	15	$	3,519,666	6.13%	1	6.67%	0	0.00%	1	6.67%	2	13.33%
	SAN DIEGO	12		2,491,417	4.34%	2	16.67%	0	0.00%	1	8.33%	3	25.00%
	KERN	31		3,566,257	6.21%	2	6.45%	2	6.45%	5	16.13%	9	29.03%
	RIVERSIDE	10		1,395,313	2.43%	0	0.00%	0	0.00%	5	50.00%	5	50.00%
	SAN BERNARDINO	2		321,465	0.56%	0	0.00%	0	0.00%	1	50.00%	1	50.00%
	SANTA CLARA	18		5,235,976	9.12%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	ORANGE	12		2,748,203	4.78%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	TULARE	5		292,484	0.51%	0	0.00%	0	0.00%	2	40.00%	2	40.00%
	SACRAMENTO	14		2,542,501	4.43%	1	7.14%	0	0.00%	8	57.14%	9	64.29%
	FRESNO	2		254,079	0.44%	0	0.00%	0	0.00%	1	50.00%	1	50.00%
	ALAMEDA	31		6,899,294	12.01%	0	0.00%	0	0.00%	1	3.23%	1	3.23%
	CONTRA COSTA	7		1,866,097	3.25%	1	14.29%	0	0.00%	0	0.00%	1	14.29%
	VENTURA	22		4,273,255	7.44%	0	0.00%	1	4.55%	3	13.64%	4	18.18%
	IMPERIAL	0		0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	BUTTE	0		0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	OTHER COUNTIES	141		22,028,270	38.35%	3	2.13%	1	0.71%	14	9.93%	18	12.77%
	TOTALS:	322	$	57,434,278	100.00%	10	3.11%	4	1.24%	42	13.04%	56	17.39%

HOMEOWNERSHIP LOAN PORTFOLIO BY SERVICER / COUNTY AS OF DECEMBER 31, 2009

WASHINGTON MUTUAL BANK

Servicer and County		Loan Count	Balance	% of Balance	DELINQUENCY RATIOS							
					Loan Count	30-Day	Loan Count	60-Day	Loan Count	90+Day	Totals Count	%
WASHINGTON MUTUAL BANK		244	$ 62,268,057		6	2.46%	2	0.82%	24	9.84%	32	13.11%
County:	LOS ANGELES	15	$ 3,573,614	5.74%	2	13.33%	0	0.00%	1	6.67%	3	20.00%
	SAN DIEGO	8	1,864,565	2.99%	1	12.50%	0	0.00%	0	0.00%	1	12.50%
	KERN	3	579,229	0.93%	0	0.00%	0	0.00%	1	33.33%	1	33.33%
	RIVERSIDE	3	517,568	0.83%	0	0.00%	0	0.00%	1	33.33%	1	33.33%
	SAN BERNARDINO	4	831,662	1.34%	0	0.00%	0	0.00%	2	50.00%	2	50.00%
	SANTA CLARA	69	22,933,241	36.83%	2	2.90%	2	2.90%	6	8.70%	10	14.49%
	ORANGE	8	1,077,842	1.73%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	TULARE	1	202,589	0.33%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	SACRAMENTO	17	1,970,534	3.16%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	FRESNO	5	768,738	1.23%	0	0.00%	0	0.00%	2	40.00%	2	40.00%
	ALAMEDA	48	11,902,614	19.12%	0	0.00%	0	0.00%	3	6.25%	3	6.25%
	CONTRA COSTA	14	3,242,282	5.21%	0	0.00%	0	0.00%	2	14.29%	2	14.29%
	VENTURA	4	1,302,197	2.09%	0	0.00%	0	0.00%	1	25.00%	1	25.00%
	IMPERIAL	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	BUTTE	4	586,258	0.94%	0	0.00%	0	0.00%	1	25.00%	1	25.00%
	OTHER COUNTIES	41	10,915,123	17.53%	1	2.44%	0	0.00%	4	9.76%	5	12.20%
	TOTALS:	244	$ 62,268,057	100.00%	6	2.46%	2	0.82%	24	9.84%	32	13.11%

HOMEOWNERSHIP LOAN PORTFOLIO BY SERVICER / COUNTY AS OF DECEMBER 31, 2009

CITIMORTGAGE, INC.

Servicer and County		Loan Count	Balance	% of Balance	Loan Count	30-Day	Loan Count	60-Day	Loan Count	90+Day	Totals Count	Totals %
					DELINQUENCY RATIOS							
CITIMORTGAGE, INC.		68	$ 16,418,708		1	1.47%	5	7.35%	9	13.24%	15	22.06%
County:	LOS ANGELES	16	$ 3,831,828	23.34%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	SAN DIEGO	8	1,727,857	10.52%	0	0.00%	0	0.00%	1	12.50%	1	12.50%
	KERN	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	RIVERSIDE	6	1,419,487	8.65%	0	0.00%	1	16.67%	2	33.33%	3	50.00%
	SAN BERNARDINO	2	521,075	3.17%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	SANTA CLARA	2	865,902	5.27%	0	0.00%	1	50.00%	0	0.00%	1	50.00%
	ORANGE	2	610,085	3.72%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	TULARE	1	142,363	0.87%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	SACRAMENTO	5	1,247,928	7.60%	1	20.00%	1	20.00%	1	20.00%	3	60.00%
	FRESNO	1	159,259	0.97%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	ALAMEDA	9	2,398,031	14.61%	0	0.00%	0	0.00%	1	11.11%	1	11.11%
	CONTRA COSTA	5	1,136,916	6.92%	0	0.00%	0	0.00%	2	40.00%	2	40.00%
	VENTURA	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	IMPERIAL	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	BUTTE	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	OTHER COUNTIES	11	2,357,976	14.36%	0	0.00%	2	18.18%	2	18.18%	4	36.36%
	TOTALS:	68	$ 16,418,708	100.00%	1	1.47%	5	7.35%	9	13.24%	15	22.06%

HOMEOWNERSHIP LOAN PORTFOLIO BY SERVICER / COUNTY AS OF DECEMBER 31, 2009

DOVENMUEHLE MORTGAGE, INC.

					DELINQUENCY RATIOS							
Servicer and County		Loan Count	Balance	% of Balance	Loan Count	30-Day	Loan Count	60-Day	Loan Count	90+Day	Totals Count	%
DOVENMUEHLE MORTGAGE, INC.		51	$ 1,953,990		1	1.96%	-	0.00%	1	1.96%	2	3.92%
County:	LOS ANGELES	4	$ 76,939	3.94%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	SAN DIEGO	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	KERN	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	RIVERSIDE	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	SAN BERNARDINO	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	SANTA CLARA	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	ORANGE	2	49,219	2.52%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	TULARE	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	SACRAMENTO	6	238,171	12.19%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	FRESNO	3	45,531	2.33%	0	0.00%	0	0.00%	1	33.33%	1	33.33%
	ALAMEDA	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	CONTRA COSTA	2	102,883	5.27%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	VENTURA	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	IMPERIAL	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	BUTTE	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	OTHER COUNTIES	34	1,441,247	73.76%	1	2.94%	0	0.00%	0	0.00%	1	2.94%
	TOTALS:	51	$ 1,953,990	100.00%	1	1.96%	0	0.00%	1	1.96%	2	3.92%

HOMEOWNERSHIP LOAN PORTFOLIO BY SERVICER / COUNTY AS OF DECEMBER 31, 2009

WESCOM CREDIT UNION

Servicer and County		Loan Count		Balance	% of Balance	DELINQUENCY RATIOS Loan Count	30-Day	Loan Count	60-Day	Loan Count	90+Day	Totals Count	%
WESCOM CREDIT UNION		7	$	2,191,725		-	0.00%	-	0.00%	2	28.57%	2	28.57%
County:	LOS ANGELES	1	$	394,282	17.99%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	SAN DIEGO	0		0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	KERN	0		0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	RIVERSIDE	1		294,942	13.46%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	SAN BERNARDINO	2		638,866	29.15%	0	0.00%	0	0.00%	2	100.00%	2	100.00%
	SANTA CLARA	0		0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	ORANGE	3		863,635	39.40%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	TULARE	0		0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	SACRAMENTO	0		0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	FRESNO	0		0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	ALAMEDA	0		0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	CONTRA COSTA	0		0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	VENTURA	0		0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	IMPERIAL	0		0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	BUTTE	0		0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	OTHER COUNTIES	0		0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	TOTALS:	7	$	2,191,725	100.00%	0	0.00%	0	0.00%	2	28.57%	2	28.57%

HOMEOWNERSHIP LOAN PORTFOLIO BY SERVICER / COUNTY AS OF DECEMBER 31, 2009

PROVIDENT CREDIT UNION

					DELINQUENCY RATIOS							
Servicer and County		Loan Count	Balance	% of Balance	Loan Count	30-Day	Loan Count	60-Day	Loan Count	90+Day	Totals Count	%
PROVIDENT CREDIT UNION		1	$ 321,346		0	0.00%	0	0.00%	0	0.00%	0	0.00%
County:	LOS ANGELES	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	SAN DIEGO	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	KERN	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	RIVERSIDE	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	SAN BERNARDINO	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	SANTA CLARA	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	ORANGE	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	TULARE	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	SACRAMENTO	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	FRESNO	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	ALAMEDA	1	321,346	100.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	CONTRA COSTA	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	VENTURA	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	IMPERIAL	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	BUTTE	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	OTHER COUNTIES	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	TOTALS:	1	$ 321,346	100.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%